



2012 Annual Report

GRUPO
AG
GIGANTE
50 Anniversary

50 years of succe

1962



On November 28 1962, the company opened its first chain store, Gigante Mixcoac, located in Mexico City.

The 250 store employees and 65 office employees form the first building blocks in the Gigante company.

As of this moment and to 1977, the company opened a total of 11 stores in Mexico City and its metropolitan area.

1971



The first Toks restaurant opens in the zone of the Basílica de Guadalupe. Toks opened on July 16, 1971, which meant the start of a new era in the development of the restaurant industry in Mexico.

Toks is easy to pronounce and it has a meaning: "Today OK Service".

1980



There are now a total of 32 stores in Mexico, distributed among four cities: Mexico City, Guadalajara, Puebla and Querétaro.

As of this time and until 1990, they opened nine more stores in cities including Celaya, Acapulco, Salamanca and Morelia, among others, as well as 12 more stores in Mexico City and the metropolitan area.

1991



Store number 100 opens in the City of Toluca.

In July of that year, Gigante goes public on the Mexican Stock Market.

2003



In 2003 the "Gigante Transformation" starts and it covers the strengthening and consolidation of all the operation of the retail chain store.

Its purpose is to work in six different approaches: prices and promotions, assortment and merchandise display, shopping experience, operational efficiency, orders and out-of-stock merchandise and change management.

2004



As of 2004, the SAP system implementation process starts in the stores and distribution centers. With this platform, the Company is able to share the information of different departments of the business in real time, managing the company in a more efficient manner, accelerating the marketing, logistics and finance practices.

2007



The company embarks on a new stage of consolidation, growth and investment for Grupo Gigante.

The Board of Directors approves the divestment of the supermarket business through a transaction in which the operation and management of 205 stores is to be taken over by Tiendas Soriana. Such operation included the protection and conservation of the job positions of more than 24,000 members of the staff of such stores and distribution centers.

2008



Markets to be developed and in which investments will be made: Specialized Commercial Markets; Services; and Real Estate. Protection of the jobs of our collaborators.

The Gigante Grupo Inmobiliario (GGI) real estate group begins operating. This business unit is responsible for managing the real estate and properties owned by Grupo as well as developing real estate projects.

Completion of the joint venture project with Radio Shack México.

Successful story



1992



A joint venture is created by and between Grupo Gigante and the electronics store company Radio Shack Corporation.

The company begins operating stores under three different formats: Gigante, Bodega Gigante and Super Gigante.

Gigante buys the chain stores El Sardinero and Blanco, thereby adding 43 more stores.

1994



A joint venture is created with Office Depot Inc., thereby giving rise to a new concept in specialized office supply stores.

1999



The company decides to move beyond the borders and into the Latin market in the United States through the first Gigante USA store located in Los Angeles, California: the first Mexican chain store to be established in the US.

2000



The company takes on a new challenge with the creation of Tiendas Super Precio, which stands out because it specializes in small, simple stores featuring basic foodstuffs at very affordable prices.

2009



The development of two real estate projects is approved: Corporativo Dos Patios (a commercial and office development) in the area of Polanco in Mexico City; and Centro Comercial Las Tiendas San Esteban in the State of Mexico.

GGI is started up, involving a joint venture operation with third parties; and a shopping center featuring services and family entertainment is opened: Conjunto Comercial Gran Terraza Lomas Verdes. In February of this year, Grupo introduces a renovated business concept for consumers seeking everything for their home décor and housewares needs: The Home Store.

2010



In November, Grupo inaugurates Conjunto Comercial Gran Terraza Lomas Verdes. In May, Grupo inaugurates Centro Comercial Las Tiendas San Esteban in Naucalpan, State of Mexico.

In December, Grupo inaugurates the Acapulco Diamante shopping center in Acapulco, Guerrero.

Office Depot de México acquires the company known as Carvajal Internacional S.A.S., which operates in Central America and Colombia.

2011



Panda Express begins operations in Mexico in September 2011 and a second restaurant was opened in December at the south of Mexico City.

In one of the most representative tourism spots in the state of Quintana Roo called "Cancun 2000", the remodeling of "Las Tiendas Cancún" was carried out.

"Plazita Visitación" shopping center, located in a space of 9,225 sq. m in State of Mexico was finished.

The pre-sale of the housing project named "Puerta de Santa Lucía" and "Puerta Jardín" began, a 38% of the project was already commercialized by the end of the year.

2012



The "Corporativo Dos Patios", an AAA office building is opened, which is certified in Leadership in Energy and Environmental Design (LEED), in which Grupo Gigante has its new corporate offices. It has 28,750 square meters for lease.

Grupo Gigante will celebrate 50 years in the month of November. Start of operations of Cup Stop, the most recent Business Unit of the Group, which surprised everyone in 2012 with the opening of three branches and a service complying with the requirements of actual times.

Grupo Gigante is a company that has sought, throughout its history, to be an example not only in business, but also in its commitment to Mexico and its people. Since the beginning of its activity in 1962, it has constantly struggled for its growth, through the acquisition of commercial chain stores, making associations and strategic alliances, incorporating different businesses and formats and entering into United States, Central America and South America; in few words, it has strived to be part of the development of Mexico.

Today, Grupo Gigante has consolidated its presence through its different businesses: **Office Depot, The Home Store, Restaurantes Toks, Panda Express, Cup Stop and Gigante Grupo Inmobiliario**, without giving up the social responsibility side of the company, through the actions of its own subsidiaries and **Fundación Gigante**.

Vision

We strive constantly to be the leader in every market in which we participate; we are committed to the profitability of our businesses; and to the success and development of our customers, shareholders and collaborators.

Mision

Ensure the creation of value for our customers, shareholders and collaborators through the integration, communication and exchange of experiences, in the search for profitability and synergies in our businesses within the Commercial, Services and Real Estate service fields.

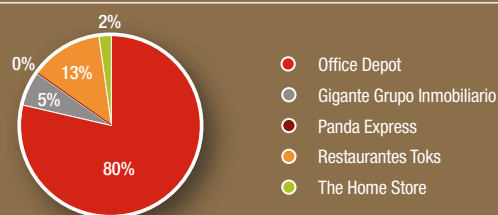
Corporate Values

- Leadership
- Teamwork
- Excellence
- Creativity and Innovation
- Productivity
- Transparency
- Recognition
- Social Responsibility

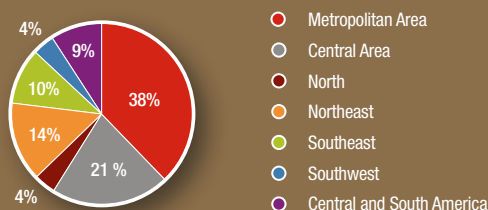
Content

1 Financial Highlights	20 Cup Stop
2 Report from the Chairman of Directors and Chief Executive Officer	22 Gigante Grupo Inmobiliario
6 Office Depot	26 Fundación Gigante
10 The Home Store	32 Audit Committee Report
14 Restaurantes Toks	34 Corporate Practices Committee
18 Panda Express	36 Financing and Planning Committee
	38 Board of Directors & Committees
	39 Financial Statements

Sales Breakdown by Format



Regional Distribution of Units

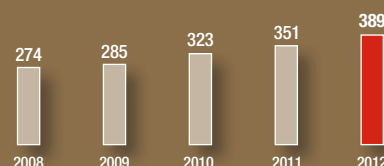


Sales floor Area by format

Business Unit	Units	m ²	Seats
Office Depot	257	331,882	
Restaurantes Toks	109		24,113
Panda	7		n/a
Cup Stop	3		n/a
The Home Store	13	18,286	
Total	389	350,168	24,113

Consolidated Units*

* Does not include Tiendas Super Precio (see Notes to Consolidated Financial Statements).



Financial Highlights

Consolidated statements of Comprehensive Income

For the years ended December 31, 2012 and 2011. In thousands of Mexican pesos, except per share data.

	2012	2011	% variation
Total revenues	18,860,847	17,315,180	8.9
Operating expenses	5,106,320	4,567,864	11.8
Ebitda	2,499,733	2,248,929	11.2
Profit for the year from continuing operations	1,489,468	1,376,245	8.2
Lost for the year from discontinued operations	387,208	567,403	-31.8
Profit for the year	1,102,260	808,842	36.3
Total comprehensive income for the year	1,185,773	1,444,422	-17.9
Basic earnings per common share	0.69	0.45	53.3
Common shares outstanding	994,227,341	994,227,341	
Price of share	24.50	24.15	1.4

Consolidated Statements of Financial Position

As of December 31, 2012 and 2011. In thousands of Mexican pesos.

	2012	2011	% variation
Assets	28,467,812	27,374,987	4.0
Cash and cash equivalents	968,659	462,939	109.2
Financial Instruments	3,095,453	3,924,646	-21.1
Inventories-Net	3,745,947	3,659,434	2.4
Property and equipment-Net	8,451,215	7,789,082	8.5
Investment properties	10,473,634	9,881,645	6.0
Other assets	1,732,904	1,657,241	4.6
Liabilities and Stockholder's equity	28,467,812	27,374,987	4.0
Trade accounts payable	2,457,432	2,681,299	-8.3
Bank loans	1,025,293	553,688	85.2
Other liabilities	3,168,428	3,423,908	-7.5
Stockholder's equity	21,816,659	20,716,092	5.3

Report from the Chairman

of the Board of Directors and Chief Executive Officer

Mexico City, March 15, 2013

H. Board of Directors

H. Shareholders' Meeting of Grupo Gigante, S.A.B de C.V.

Dear Directors and Shareholders:

I would like to thank you for the confidence placed in us, and I would also like to state that I am proud to be the head of an enterprise group such as Grupo Gigante, which celebrating 50 years of existence has been a relevant participant in the development of a better Mexico, during 2012 it continued strengthening its leadership in the areas in which we are engaged.

Always considering that "the Giant thing about Gigante is its people", I once again state my appreciation to all of our team members composing our Group, without whom it would not be possible to maintain the operation, execute the strategy and present these good results. Today, we maintain more than 17,800 direct jobs in our units, but it is essential to point out that each job represents a family, the dreams of those who want to get ahead to study, work, imagine and create a better environment and country. To those of them, to those thousands of families throughout the Mexican Republic and abroad, we have the obligation to respond as they deserve, and we will continue doing it.

This was, no doubt, a great year for Grupo Gigante, not only for the celebration of its 50th anniversary, being a standard

in various sectors of the economic activity in Mexico, but also for the consolidation in many aspects of our Business Units and the incorporation of new and attractive projects. All of the foregoing reaffirms that our business strategy has been the correct one, and it has allowed us to confirm our positioning as one of the enterprise groups of most tradition, experience and soundness in Mexico.

Fifty years from its foundation, Grupo Gigante has recorded a continued evolution, such as the current times demand, overcoming many challenges of the accelerated and sometimes violent changes arisen in our country and all over the world, but always looking at the future with confidence, responsibility and commitment to Mexico, to its shareholders and all of its team members.

Focused on the selective growth, as part of our process of strategic recomposition and the profitability approach and after having assessed different alternatives and ways, we made the difficult decision to divest from the business Tiendas Super Precio, transaction that was made public when relevant.

Taking into account the foregoing, we ended this year with a total of 389 stores and restaurants in operation throughout

the Mexican Republic, Central America and Colombia, adding up more than 350 thousand m² of sales floor and more than 24 thousand seats. With construction and land we have more than 3.6 million m² including a strategic land reserve to construct and develop several real estate projects of more than 276 thousand m².

In 2012, the results reported are once again significant, with total income for \$18,861 million, 8.9% higher than the previous year, while the gross revenue amounted to \$7,129 million with an improvement of 12.1% compared to the previous financial year; the operating revenue was \$2,125 million, an increase of 23.9%. Regarding EBITDA, the Company recorded \$2,500 million Pesos, which amount is 11.2% higher than the one recorded at the close of the same period in the previous year and finally, our continuous net operating revenue recorded an aggregate of \$1,489 million, representing an increase of 8.2% with respect to the previous year.

Today, our subsidiaries maintain their approach, supporting global actions and the Group's own strategy, growing with selectivity and profitability and they are proud to be part of our history, as participants in these first 50 years of evolution. Restaurantes Toks, Office

This was, no doubt, a great year for Grupo Gigante, not only for the celebration of its 50th anniversary, being a standard in various sectors of the economic activity in Mexico, but also for the consolidation in many aspects of our Business Units and the incorporation of new and attractive projects.

Depot de México, Gigante Grupo Inmobiliario (GGI), The Home Store and Panda Express, maintain the same dynamic on service and quality that we have developed and attained in the businesses that we promote. In addition to applying the best practices in each one of our business units, introducing cutting-edge features in the processes, proceedings, products and services that we offer, we also are constantly analyzing and developing different alternatives of new businesses or formats, which we are sure, will enable us to respond on an effective manner to the challenges to come and to those who have trusted us and keep their trust in us.

Regarding our Social Responsibility Policy, we will keep providing our support, focusing on the best of each one of those who compose the Group, the value of serving others, the under-privileged and those who need it the most. In the path to the institutionalization of our aid, we have decided to keep it steady in the long term, giving support to Fundación Gigante as an essential element of our commitment and development in the social responsibility scope and through which, together with the particular efforts made by all the enterprises of the Group, we reach out to children, youth and elderly persons, promoting

relevant causes related to health, education, nutrition, environment and direct support on emergency cases arisen from acts of nature. In summary, 2012 represented much of what we want to keep doing during the next 50 years: to create, develop, grow; always on a strong, responsible and sustained manner, and the participation of everyone, shareholders, directors and collaborators is very important to continue writing this great history that still has many pages to be written, and in which I am sure, all of the achievements will be punctually recorded in the next five decades.

To our and shareholders, directors, management team and collaborators, many thanks for your guidance, contributions and advice and for being an active party to this great history, a history that is only starting to be written, and that still has many pages more to create, construct and contribute.

Within our plans of the three business divisions, Real Estate Development, Hospitality and Services, and Specialized Retail, once again, we will review our Strategic Plan adjusting it to the positive environment where our Mexico is getting along, without ceasing to consider the international events that have impact on us and with 3-year objectives in order to propose a plan covering

2014 - 2016. However, please be certain that we will continue to have an organized, focused, systematic and careful growth, as the circumstances demand, in a profitability framework and consolidating our leadership in the areas and businesses in which we are engaged, and at the same time we will keep identifying strategic opportunities in new formats or businesses, with a view that we will not miss: to maintain our position as one of the Mexican enterprise groups of major tradition and soundness in the market.

Sincerely,



Ángel Losada Moreno

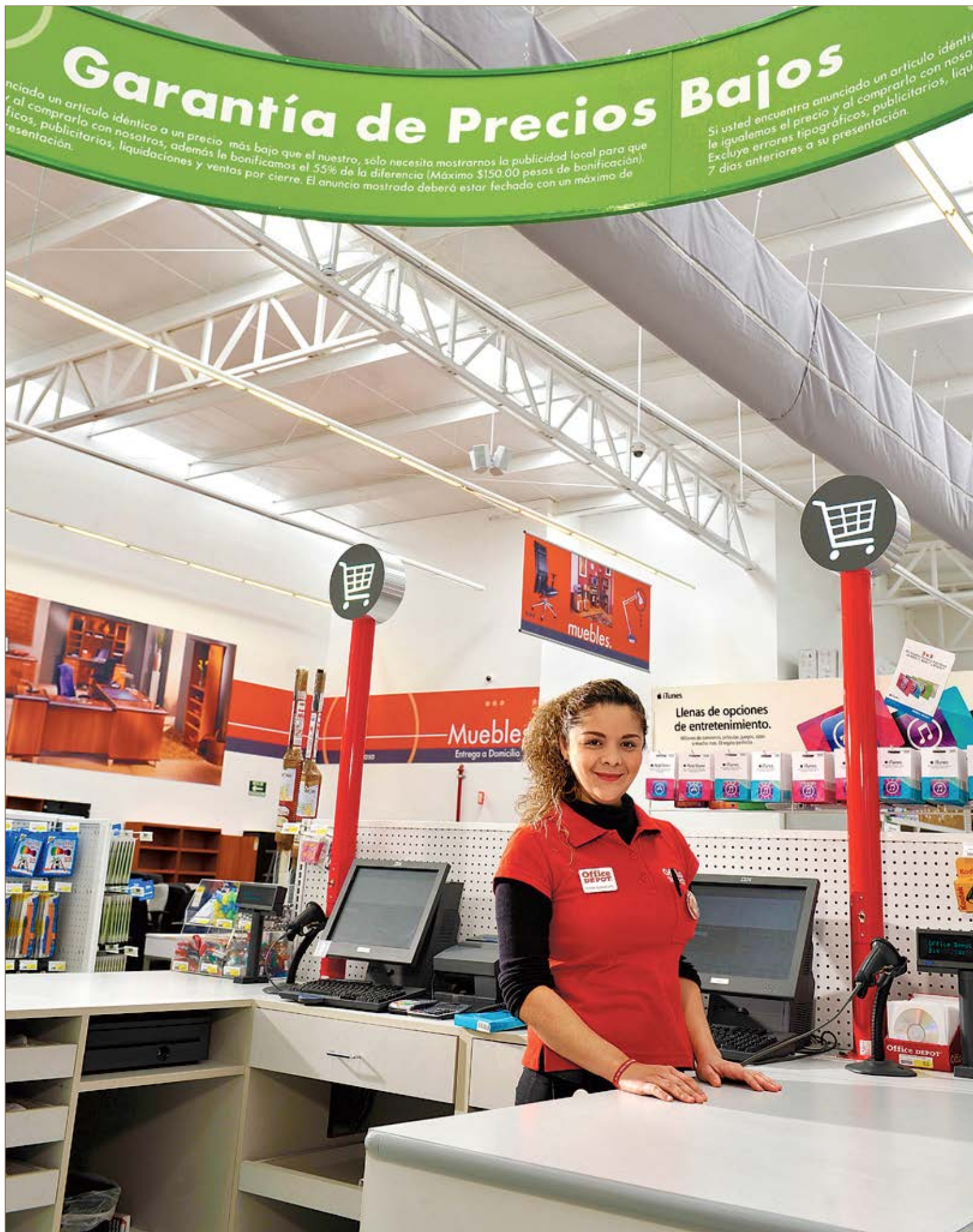
Chairman of the Board of Director and Chief Executive Officer, Grupo Gigante, S.A.B. de C.V.



The origins of our Gigante go back to 1939, when Don Ángel, together with his brother-in-law, created the Gómez Hermanos, seeds business, which he continued later on by himself. It was an establishment dedicated to supply on a retail basis, to village people, land-owners and clients who sold barley.







Office DEPOT®

5.6%

growth on sales floor,
reaching an aggregate of
331,882 square meters.



2012 was a year of excellent ratings for us. We opened 17 stores, 14 of which are located in Mexico and 3 more in Central America. We have presence in 7 countries, having more than 8,800 employees. We know the A, B, C of the business and thus, we maintain our leadership in the market.



Gigante's birth

1962



Gigante Mixcoac opens on November 28, 1962. The opening is a success. People from all parts of the City came to meet "the largest store in Latin America". The large lines in the cash registers were endless and the store had to be closed several times because the capacity was exceeded and the aisles were insufficient for such huge crowds.

During 2012, Office Depot de México, with presence in Mexico, Central America and Colombia ratified its leadership in the sale of office and school supplies, technology and furniture, closing the year with 257 units, including stores and distribution centers in 7 countries.

We had a 5.6% growth in sales floor, reaching a total of 331,882 square meters, and serving 45 million clients, 5.5% more than the previous year.

In 2012 we recorded, once again, a growth in income and profitability, which position the Company as the number one enterprise in stationery and office supplies sales, consolidating our leadership in Mexico and Central America.

During 2012, we invested in information technology, in transport equipment renewal and branches remodeling. Likewise, we opened 17 stores; 14 of which are located in Mexico and 3 in Central America; moreover, more than 600 employees joined the company, therefore, we closed the year with 8,800 employees.

Once again we were honored as one of the "Best Companies to Work for in Mexico", at position number 13. Furthermore, for the fourth year running, we obtained the award as "Socially Responsible Company".

Something that has distinguished Office Depot de México is its clients' satisfaction. Service starts with the welcome at the entrance of the store, following with the assistance

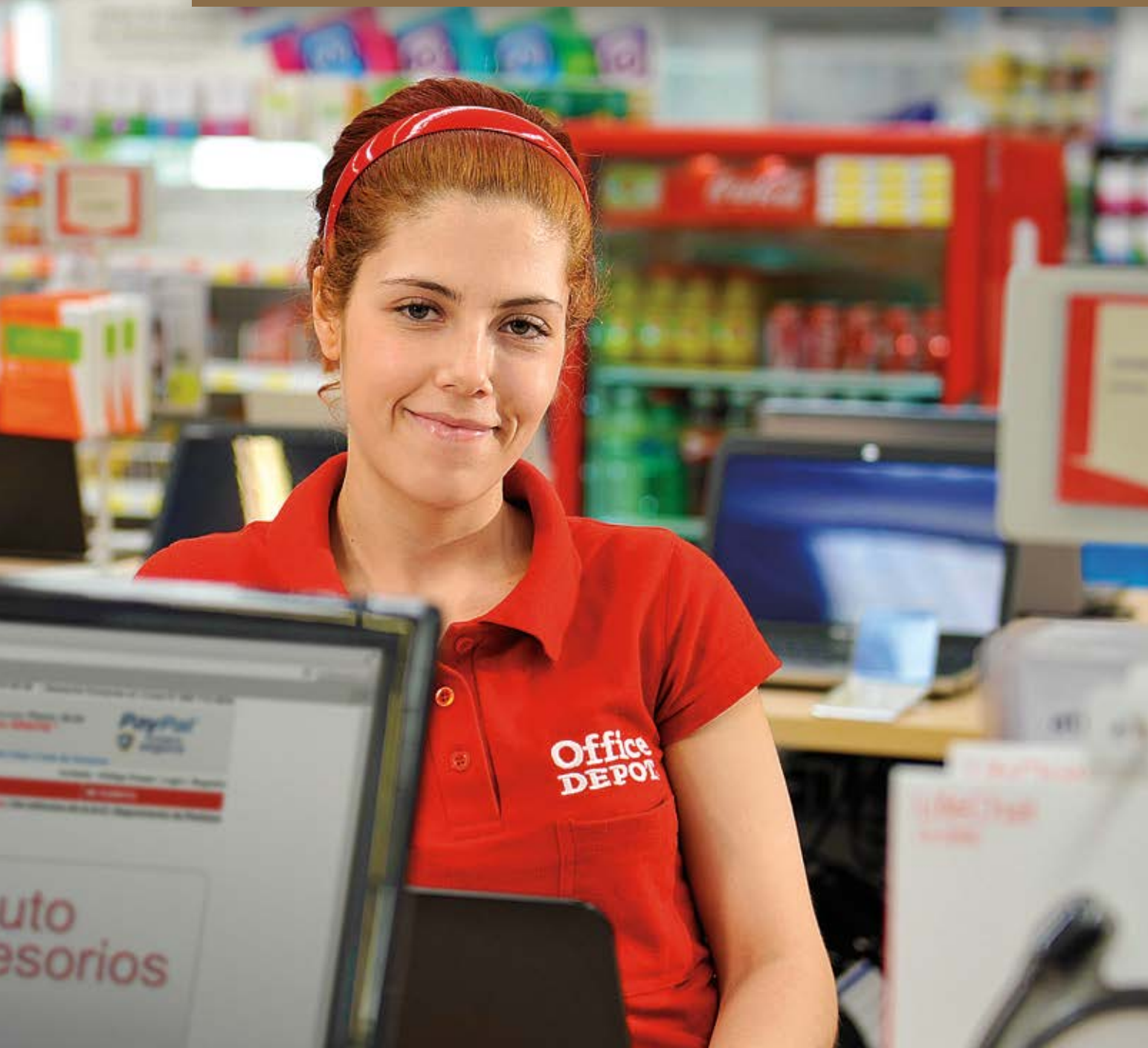
and support of qualified employees in each department and ending with the goodbye, thanking clients for their visit.

For 2013 we consider the opening of 10 stores in Mexico and Central America, under the premise to maintain our leadership, passion and commitment in all that we do to continue to be the best option for our clients, in the same way as Grupo Gigante has proved its presence throughout these years.

It should be noted that, since the beginning, Office Depot México has sought to support different causes with social benefit, always focused on health, education and the development of the communities with which it has relationship, which has resulted in several awards that make obvious our commitment with society and the environment.

The commitment is kept in force, we will continue being part of the history constructed with so much effort, creativity and dedication, keeping the consolidation of our leadership and the growth in new and existing territories, pursuant to the view of our shareholders and keeping in mind Mexico's benefit and the benefit of those countries to which we are a party, in addition to all of our collaborators, without which we would not be proud to be whom we are.

For 2013 we consider the opening of 10 stores in Mexico and Central America, under the premise to maintain our leadership, passion and commitment in all that we do to continue to be the best option for our clients.







the HOME store

inspiración para tu hogar

16.3%

growth on net sales floor area,
adding more than 2,500
square meters.



Our presence extended up to 13 stores, in which the client lives the best shopping experience, as far as decoration solutions are concerned, emphasizing a kind service and the best Value-Price-Quality relationship, which has turned us into the favorite store for home decoration.

2013 we will continue growing by at least 4 units more, 2 of them in cities of the Mexican Republic where we do not have any presence.





In the context of the celebrations of fifty years of Grupo Gigante and as testimony of our enthusiastic contribution to its evolution and growth, we opened two new branches of The Home Store: one in Gran Terraza Oblatos in Guadalajara and other in Santa Fe, in Mexico City.

In the context of the strategic expansion with selectivity and profitability, with the incursion of these two units, more than 2,500 square meters of net sales floor area were added, resulting in an increase of 16.3%. With the foregoing we obtained a total of 18,286 square meters distributed in 13 stores, comprising Mexico City and its Metropolitan Area, as well as Guadalajara, Mérida, San Luis Potosí and Villahermosa.

Applying the best practices of the Group and our own acquired know-how, we extended our staff to 375 direct collaborators, who make us feel satisfied because, feeling that they are part of our mission, view and values, are focused on providing the best shopping experience to our clients, offering decoration solutions with the best Value-Price-Quality relationship. This is another attraction for those who visit us and that are making of The Home Store their favorite store for the decoration of their home.

Our successful strategy of offering products with an added value, exclusivity with the last market trends, a constant development of domestic and international supply and the strengthening of our own

trademarks, are attributes that drive the profitability of the company, based on the sound experience of Grupo Gigante, resulting in 50 years of history under the dynamic of working for and to benefit of the client.

We are certain that 2013 will not be the exception and we will continue growing by at least 4 units more, 2 of them in cities of the Mexican Republic where we do not have any presence, León in Guanajuato and the City of Querétaro, Querétaro. In addition, we will grow in our two main regions, Mexico City and Guadalajara, with one unit respectively.

Under the profitability strategic premise and giving the best of us every day, we will continue identifying and applying vanguard aspects in our processes, products and services for the benefit of our clients, shareholders and collaborators, but also with the clear purpose of continue working for the society and the country in which we operate, without forgetting our own surrounding and those who need us.

Gigante's number 50 store

1987



"FAITH AND CONFIDENCE" were the words spoken by Mr. Ángel Losada Gómez to the President of Mexico, Mr. Miguel de la Madrid, when Gigante's number 50 store was opened on November 4, 1987. The store chain already had 18 units in México City and the metropolitan area, 19 in Guadalajara, 8 in Monterrey, two in Puebla, one in Querétaro, Celaya and Acapulco.





23.6

million clients, increasing our
capacity by 12.1%.



We started operations in 12 restaurants, closing the year with 109 branches, creating 880 sources of employment, and recording once more a growth ratio greater than the growth recorded by the industry. These figures are our best menu to celebrate the Group's anniversary, with the specific purpose of satisfying the needs of increasingly demanding guests.



Office Depot Opening

1995



In spite of the prevailing economic crisis, Don Ángel Losada with his strong faith in Mexico convinces the American partners of Office Depot to open branches in our country. Therefore, on Thursday March 23, 1995, at 7 o'clock, the first two stores in the Mexican Republic, both in the City of Guadalajara, are simultaneously opened.

In Restaurantes Toks we celebrate Grupo Gigante's 50th anniversary, putting Grupo Gigante right out there and proud to be a relevant party to this history, by opening 12 units this year and expanding with the new Panda Express concept, opening 5 restaurants and diversifying with the opening of 3 Cup Stop units.

We proudly have 109 restaurants throughout the country, with a growth 3 times greater than the growth recorded by the industry, which accurately reflects that we have been cooking things well.

In 2012, adding up the three business units under our responsibility, we created more than 880 direct jobs, which means we have 8,267 employees throughout the Mexican territory, creating further 2,200 indirect jobs.

We served more than 23.6 million clients during the year, which represented a growth of 6.3%; our capacity increased by 12.1% compared to the previous year and sales grew 3 times more than the growth of the industry.

For 2013, our expansion plan is of 56 branches distributed in the following manner: 12 Toks restaurants, 14 Panda Express restaurants and 30 Cup Stop stores. With the foregoing, we will increase the direct sources of employment to 1,200, and approximately 3,000 indirect sources of employment. For 2013, we calculate that we will generate 700 sources of employment.

The training to our employees is the core of our strategy, while the salt and pepper are

the quality service and freshness that make our dishes stand out in each one of the formats under our management.

We are proud to be part of the "Best 100 Companies to Work for in Mexico", according to the enquiry carried out by "Expansión". Restaurantes Toks is ranked in number 10 within the category of more than 3,000 employees.

In the frame of the philosophy of the Group to which we belong, an indivisible part of our company strategy is the Social Responsibility to drive the "Productive Projects" initiative that we have been carrying out since 2003 with gratifying results. This has permitted that more than 5,000 individuals definitely overcame poverty, by creating their own enterprises that are currently suppliers of our restaurants.

Recently, this initiative received the "Inclusive Business" Social Investment Pioneer Award in Australia, which makes us to be even more committed to this project that has given to us satisfactions and has added more flavor to our restaurants.

We are certain that we will continue in the path of an organized, profitable and selective growth, being clear that we will be part of the next 50 years of history of Grupo Gigante, with the strategies and priorities clearly focused on continuing to generate benefit to our country, our shareholders and collaborators that will construct, together with the company, the big achievements to come.

In 2012, adding up the three business units under our responsibility, we created more than 880 direct jobs, which means we have 8,267 employees throughout the Mexican territory.







Panda Express is one of the most recent businesses of the Group operated by a professional staff of Restaurantes Toks. It is a great offer of Chinese gourmet food that came to captivate the taste of Mexican diners, not only for its flavor, but also for its freshness in service and its attractive concept.

In the context of the celebrations of Grupo Gigante for its fiftieth anniversary, Panda Express opened 5 units, following the opening of our first premises in 2011 in the State of Mexico and the second in Mexico City.

Mexico turned into the first country outside the United States where a master

franchise of this chain was opened, and in Restaurantes Toks we are proud of having been selected among other options, the foregoing was due to the coincidence in the philosophy of both companies: we are focused on the client, the quality of the products, the training systems and the operation standards, in addition to sharing the Social Responsibility view. This turns us into a unique and successful team that is further framed within the context of the history and future of Grupo Gigante.

The franchise agreement considers the opening of 300 businesses in 10 years, as well

as 14 openings for 2013 with an approximate investment of \$110 million Pesos.

Established in 1973, Panda Express currently has 1,400 units in operation in the United States and it has sales for more than USD \$1,300 million.

In Panda Express we will continue building the future, focused on the growth and the execution of our own strategy and the Group's strategy, working for those who have placed their confidence on us, for the country in which we were born and for the collaborators comprising this new team.

On a slow burn and with the skill of a chef, five units full of oriental options were cooked to share and in this manner to expand their flavor to more crucial points of Mexico City and the metropolitan area, under its fast casual innovating concept.





This year, Grupo Gigante made public a new Business Unit under the name of Cup Stop. This project saw the light in December of last year, opening 3 units under the concept of Celerity + Quality + Efficiency + Price + Service.

The new business model — which complements the offer by Toks and Panda Express— specializes in offering Mexican coffee and gourmet food at a very accessible price and with an impeccable service, arising as a response to the need of clients that understand the value of their money when acquiring quality goods and services with the celerity required by modern life. In less than five minutes, the experience in Cup Stop gives satisfaction for the rest of the day.

Cup Stop was planned for the B and C+ segments, however, in the tests carried out, it resulted that A and B+ clients also visit our stores due to the cost-benefit relationship found in them.

The most recent project of Grupo Gigante has an ambitious growth plan, since it plans, in its first year of operations, to open 30 units, to duplicate the number for 2014 and to close year 2015 with approximately 100 establishments more.

Simultaneously to these openings, Cup Stop will create between 1,000 and 1,400 direct jobs, and at the same time it will support the Mexican farming with an approximate monthly consumption of between 15 and 20 tons of coffee.

Cup Stop units will be located at very accessible, busy and visible places, such as the case of the first three stores that are already operating this concept. These units are located at Plaza Polanco, in Mexico City and two more in the State of Mexico, in the Lechería and Cuautitlán stations of the Suburban Train.

For sure, this new concept is also engaged in the service and innovation dynamic of the history of Grupo Gigante and is included in the evolution field aimed at the future, for the benefit of our society, our shareholders that take risks with us and our employees.

We have enjoyed the start of operations of the most recent Business Unit of the Group with the aroma and taste of freshly brewed coffee. In 2012 with the opening of three stores where five minutes are enough to acquire a good Mexican coffee and gourmet bread and to have a delicious taste in your mouth for the rest of the day.





3.4

More than 3.4 million building and land square meters for 129 real estate properties in 25 entities of the country,

With more than 1,500 premises for lease and 276 thousand square meters of land reserve. We have been positioned as aggressive competitors in the construction of shopping malls, housing and offices, which have resulted in an increase on revenues by 100% for the last five years and aimed at the history that we will continue making.



Gigante USA

1999



In 1999 Gigante USA opens for the first time in the Pico Rivera County, in the metropolitan area of Los Angeles, being a traditional supermarket with a combination of products, including Mexican merchandise, addressed to the Hispanic consumers of the region. Grupo Gigante becomes the first Mexican chain store in that country.

Throughout five decades, we have built many dreams and one of the most representatives has been Gigante Grupo Inmobiliario (GGI), a sound company with a broad experience in the development of commercial, combined and office and housing real estate projects.

In 2012 we closed the year with the opening of two shopping malls, Gran Terraza Oblatos and Gran Terraza Belenes in Guadalajara; both with more than 76,456 square meters of area for lease and with an investment higher than \$970 million Pesos.

In this field, we have incorporated important clients to our portfolio, such as Cinépolis, Soriana, Liverpool, Grupo Indetex, C&A, Grupo Martí and the Surtidora, in addition to our own trademarks and formats.

Regarding offices, in June we opened Corporativo Dos Patios, a building that obtained the Leed Gold rating for its sustainable construction and operation, and the excellence certificate with the authorities of Mexico City. Today, our corporate offices are located in that building, providing an efficient, comfortable and modern space to the employees of Grupo Gigante, as well as to lessees as important as Siemens and Schlumberger.

Regarding housing, we completed phase 1 of Puerta Santa Lucía with 20 finished units and simultaneously we will work on phases 2 and 3 on March 2013. We continue with the pre-sale stage of Puerta Jardín, as well as procedures and preparation of the construction, with a 5-phase estimate with more than 650 units.

In GGI we have a little more than 3.4 million building and land square meters for 129 real estate properties in 25 states of the country, with more than 1,500 premises for lease and 276 thousand square meters of land reserve.

During the last five years, GGI has increased its revenues by 100%, it has invested more than \$2,700 million Pesos and it has developed and incorporated more than 185 thousand square meters for lease. The foregoing speaks of our broad and successful presence in the market.

We estimate that during the next five years we will make direct investments for

more than \$4,000 million Pesos in several combined and commercial projects, such as: Centro Comercial Andamar in Veracruz, in a joint venture with Grupo Sordo; a Shopping Mall in Coapa, a Combined Development in Villa Latina, in the south of Mexico City; the Hospital Universitario in the State of Mexico, a strategic alliance with the Universidad Anáhuac del Norte; furthermore, an office building in Interlomas and a shopping mall in Cuautitlán Izcalli.

During 2012 the use of the ERP SAP system was extended in order to have more control and efficiency on complete processes for budget control and housing management, and we even have generated cooperation tools with suppliers, sellers and construction coordinators. The intensive use of the technology is a distinguishing element of great value, that besides allowing us to increase productivity and control, it has encouraged us to generate new business lines in the Group, taking advantage of the expertise and knowledge on the real estate sector as well as the technical capacity and success in the effective use of the SAP Real Estate.

We will continue carrying out each one of our projects with a technology innovation and respect for the environment view, as requested by the current times, aimed at offering a clean and sustainable future, therefore joining all kinds of actions in favor of power saving and social responsibility, supporting the other corporate causes of the Group, but in recognition to our contribution to the history of Grupo Gigante, also facing the next 50 years, creating, developing and growing for the benefit of Mexico, our shareholders and our employees.



During the last five years, GGI has invested more than \$2,700 million Pesos and it has developed and incorporated more than 185 thousand square meters for lease. The foregoing speaks of our successful presence in the market.







295

million Pesos in donations,
both in cash and in kind.



In these five decades the social commitment to Mexico has been a constant in our Group, which today is materialized in the Fundación Gigante with its first 10 years of activities, for the direct benefit of over 2 million people.



Toks's 40th anniversary.

2011



In 2011, Toks celebrated its 40th anniversary, period during which it has indulged the palate of more than 400 million people. It cooks-to-order more than 4,800 million dishes and more than 200 million cups of coffee, in order to serve its clients with passion, and being increasingly involved with Social Responsibility.

Throughout these 50 years of Grupo Gigante, our commitment to the communities in which we operate and our sensibility to its most urgent causes have been the characteristic and reflection of the best spirit of those of us who are part of this important consortium and its several Business Units, which are crystallized in the Gigante Foundation ("Fundación Gigante").

Before Fundación Gigante was conceived as such, the Group already gave signs of several altruistic actions, which took shape in 2002 through the Foundation, which today is engaged on the development of several programs related with the welfare of individuals in the fields of health, education, ecology, and service to victims of acts of nature, always seeking for the welfare of the under-privileged.

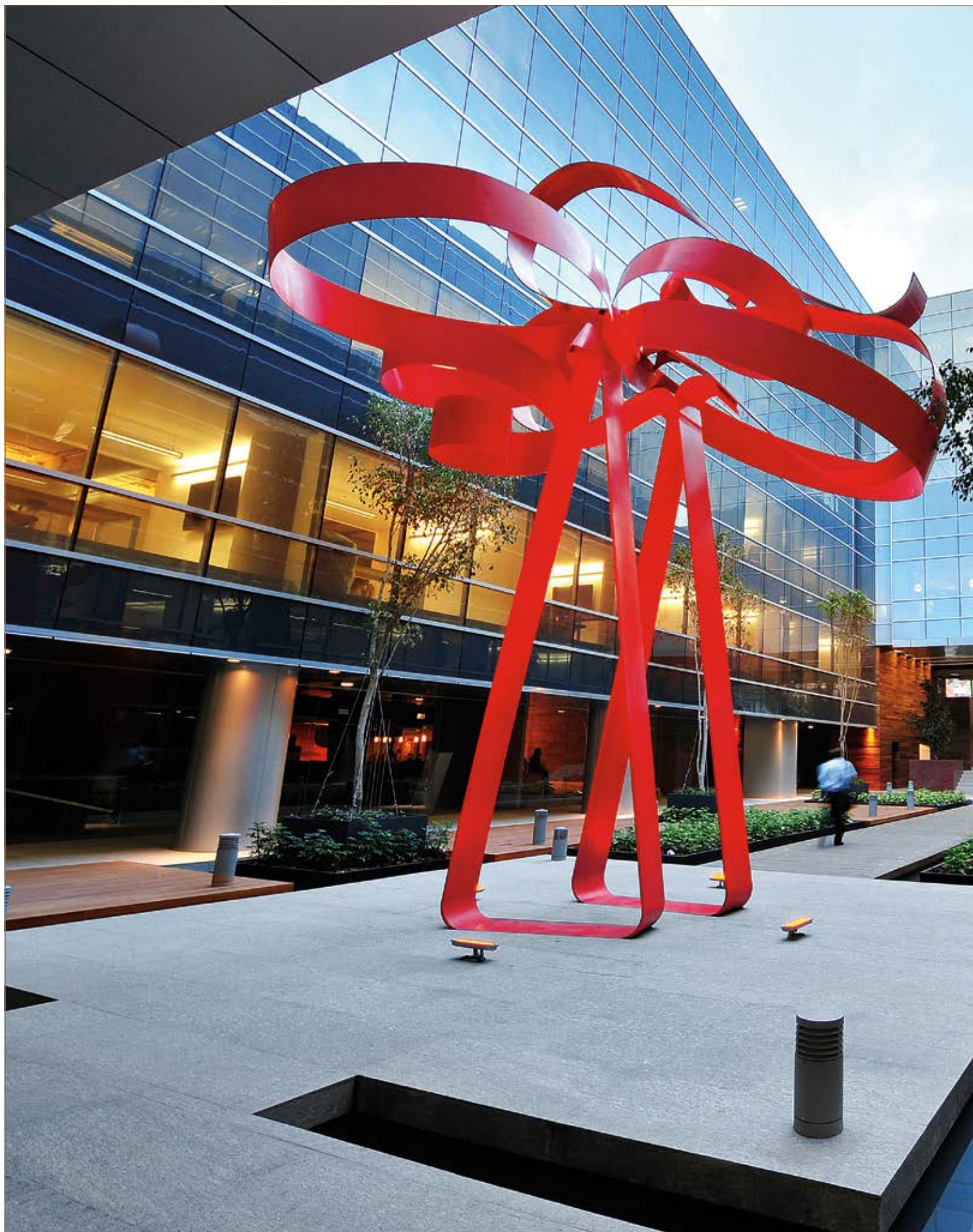
On one hand, the Foundation – described as a private, non-political, non-profit, altruistic institution- allocates economic, human and technical resources to different causes and on the other hand, it designs, organizes and operates its own programs of great importance to our society.

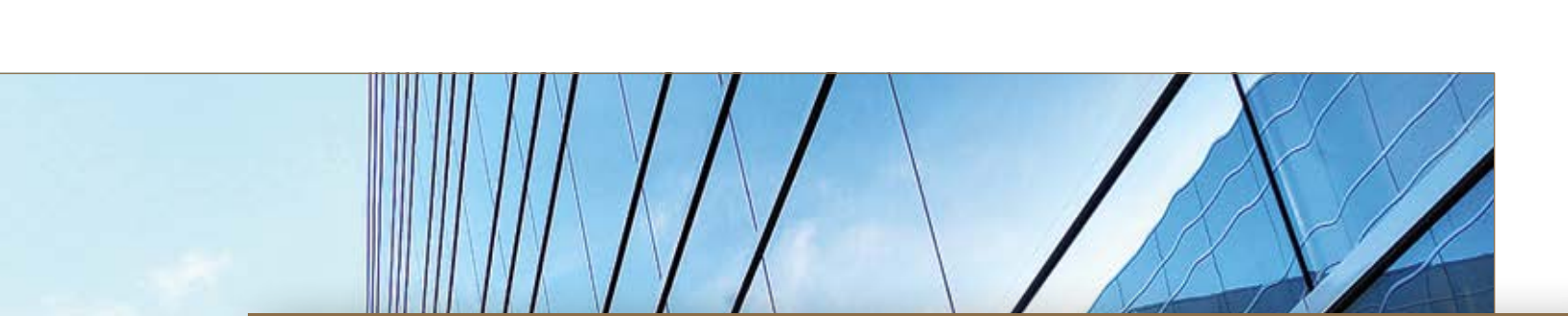
After one decade of operating, the Foundation has directly benefited more than 2 million individuals, allocating 295 millions Pesos in donations, both in cash and in kind.

We are proud because we have been preoccupied and occupied on disinterestedly helping those who need it the most, following the example of Grupo Gigante's founder.

Our sensibility to its most urgent causes have been the characteristic and reflection of the best spirit of those of us who are part of this important consortium.







Grupo Gigante looks to the future with the same confidence as always. It is composed of three large business divisions: Real Estate Division, Specialized Retail Division and Hospitality and Services Division, that driven by its Chairman of the Board and Chief Executive Officer, accompanied by a great management and collaborators team will lead this company through the path of success.



Audit

Committee Report

Mexico City, March 15, 2013

To the Board of Directors

To the Shareholders' Meeting of Grupo Gigante, S.A.B. de C.V.

Dear Sirs:

In our capacity as Members and Secretary of the Audit Committee and in compliance with the provisions of Articles 42 and 43 of the Stock Market Law [Ley del Mercado de Valores], the Bylaws, the Internal Regulations of the Board of Directors of Grupo Gigante, S.A.B. de C.V. and keeping in mind the recommendations of the Better Corporate Practices Code, we hereby provide to you our annual report for financial year 2012, having carried out the following functions:

- I.** Analysis and approval of the consolidated quarterly and annual financial statements, having requested to External Auditing written reports with respect to each quarter, in order for such external auditor to confirm that the financial information of Grupo Gigante, S.A.B. de C.V., has been prepared according to the same financial reporting standards, criteria and practices with which the annual reports are prepared, using the International Financial Reporting Standards (IFRS).
- II.** We reviewed the status of the internal control and internal corporate auditing systems of Grupo Gigante, S.A.B. de C.V. and have approved their guidelines, annual review plans, compliance and reports of the corporate audits. We conclude that in general, they have adequate internal controls and internal corporate auditing systems.
- III.** We approved the operations guidelines and policies as well as those governing the accounting registry of Grupo Gigante and its subsidiaries, including the effects of the initial adoption of the IFRS.
- IV.** We have verified that the mechanisms established for risk control on the various business units of Grupo Gigante are being complied with.
- V.** We evaluated the performance of the accounting firm of Galaz, Yamazaki, Ruiz Urquiza, S.C. (Deloitte Mexico) who was in charge of the audit of the consolidated financial statements for the financial year, as well as that of the External Auditor, Mr. Francisco Pérez Cisneros, considering that both had shown adequate performance of their duties in compliance with International Audit Standards and with the applicable provisions of the Stock Market Law. We approved its External Audit Annual Plan, its Executive Summary of Observations and Recommendations and its Report on the consolidated financial statements as of December 31, 2012.
- VI.** We analyzed the description and evaluation of the additional services provided by Galaz, Yamazaki, Ruiz Urquiza, S.C. during financial year 2012.
- VII.** We approved the reports of the external and internal legal counsel to ensure that Grupo Gigante and its subsidiaries are in due compliance

with all legal provisions. In addition, we had meetings with the External Auditor, Internal Corporate Audit Director as well as all officers we deemed appropriate with respect to the management of Grupo Gigante and its subsidiaries.

VIII. We analyzed all matters related to the relevant observations and any potential claims regarding facts that may be deemed irregular in the management filed by shareholders, directors, principal directors and employees, regarding the accounting, internal controls and all other matters related to the internal

corporate or external audit practices, having nothing to report regarding these matters.

IX. We followed up on all resolutions passed by the Shareholders Meeting and the Board of Directors related to this Committee.

Therefore, we hereby comply with the obligation provided for under the above-mentioned articles of the Stock Market Law as well as the By-Laws and the Internal Regulations of the Board of Directors of Grupo Gigante, S.A.B. de C.V.



Luis Santana Castillo
Committee Chairman



Luis Rebollar Corona



Roberto Salvo Horvilleur



Ernesto Valenzuela Espinoza
Committee Secretary

Corporate Practices

Committee Report

Mexico City, March 15, 2013

To the Board of Directors

To the Shareholders' Meeting of Grupo Gigante, S.A.B. de C.V.

Dear Directors and Shareholders:

Acting as members of the Committee of Corporate Practices, and complying with the provisions of Article 43, Section I and all other applicable provisions of the Stock Market Law [Ley del Mercado de Valores], and also in light of the corporate by-laws of Grupo Gigante S.A.B. de C.V. and the Board of Directors Regulations, following please find our Committee Report regarding the actions of financial year 2012.

During the year ended, this Committee met five times, and submitted to the Board of Directors its respective reports and recommendations during the meetings held on such year, mainly carrying out the following tasks and functions:

- I.** In accordance with the program known as **“Corporate Governance”**, the committee continued providing oversight for the holding of meetings and the functioning of the corporate government and their operating rules, as well as compliance with all legal provisions applicable thereto and the by-laws of Grupo Gigante. It is reported that all these matters were developed in a timely and proper manner and all the various meetings of the Board and its Committees were carried out in this regard.
- II.** The **“Integral Compensation Plan”**. Based on the compensation plan for “Relevant (key) Executives” (“Directivos Relevantes”) of

Grupo Gigante, composed of its 4 substantial elements, Basis Salary Structure, Variable Annual Compensation or Short-Term Performance Bonus, Long-Term Incentive and Retirement Benefit, the Committee actively participated in the oversight of its execution. Having being approved, when opportune by the Board of Directors on the proposal of the Committee, it is on its implementation phase. The portion corresponding to the long-term portion and the funding of the retirement plan has been worked on and detailed, and it shall be completed in the first quarter of 2013.

- III.** In compliance with the applicable provisions, we **evaluated the performance by the General Director (CEO) of the Company as well as that of the Relevant Executives**, and authorized salary adjustments as well as performance bonuses and incentives for the balance for 2011, as well as the plans for 2012.
- IV.** In compliance and execution of its responsibilities and powers, and based on the provisions of Article 28, section III, item b) of the Stock Market Law, the Committee did not have to know and analyze any **operations between related parties**, seeking at all times fair market values and parameters with respect to these operations in benefit of the company; there was nothing further to report.

V. Since there was no situation related to the **waivers referred to under Article 28, section III, item f)** of the Stock Market Law, there was no need to submit to the Board these operations, and therefore there was nothing further to report.

VI. **Business Administration Continuity Program (BCP).** In coordination with the Audit Committee and in order to achieve a better risk management, the Committee continued participating in such Program, which includes the Management Continuity

Program (MCP), the Governance, Risk and Compliance Program (GRC) and the Disaster Recovery Plan (DRP) of the subsidiaries of the Group, having recommended adaptations that will going to be executed throughout financial year 2013.

In this respect, we hereby comply with the provisions of Article 43, section I and other applicable provisions of the Law and of the corporate by laws and the Board regulations of Grupo Gigante, S.A.B. de C.V.



Roberto Salvo Horvilleur
Committee President



Luis Santana Castillo



Gilberto Pérezalonso Cifuentes



Sergio Montero Querejeta
Committee Secretary

Financing and Planning

Committee Report

Mexico City, March, 15 2013

To the Board of Directors

To the Shareholders' Meeting of Grupo Gigante, S.A.B. de C.V.

Dear Directors and Shareholders:

Acting as members of the Financing and Planning Committee, and also in light of the corporate by-laws of Grupo Gigante, S.A.B. de C.V. and the Board of Directors Regulations, following please find our Committee Report regarding the actions of financial year 2012.

In compliance with the referred provisions, during the financial year ended, this Committee held six meetings, presenting its respective reports and recommendations to the Board of Directors for all of its meetings during the financial year, with respect to the content and development of the following matters and functions:

I. In the exercise of its responsibilities, the Committee received detailed and timely information regarding the matters related to the financial and strategic matters, presenting matters for the consideration and recommendation of this body to the Board of Directors, and we consider it relevant to report regarding the discussion and analysis of the following:

- I.1.** Budget for 2012, follow-up and advances thereof.
- I.2.** Cash flows of the Group and its subsidiaries.
- I.3.** Results of the corporate year, annual and quarterly for the company, its subsidiaries and affiliates.
- I.4.** Integration and follow-up of Capex of the company and its business units.
- I.5.** Oversight and use of the credit lines of the company and its controlled companies.

I.6. Analysis and discussion regarding the various sources and financing alternatives for the Group and its subsidiaries.

I.7. Analysis and definition of the premises and main aspects of the budget for 2012, as well as the financial ratios to be applied and performance indicators.

I.8. Follow-up and report of openings and closing of business units of the Group.

I.9. Analysis and as applicable approval of investment projects.

II. Another relevant aspect is the oversight of the handling of the **Corporate Treasury** of the Group, for which various alternatives were investigated. Guidelines and policies governing investments were set forth and its performance was supervised. As it is a tradition and as an addition to the annual report, it was reported that to the close of financial year 2012, the company treasury concluded with an amount of MX\$4,064.1 Million Pesos, after paying out dividends and interests and after covering real estate and other investments, including income from financial interests.

III. This Committee received periodic reports regarding the compliance with the policy of the purchase of the Company's own shares, and there were no purchase transactions of the Company's own shares during the reported year, reporting that to the close of the year, there were total of 994,227,341 outstanding shares.

- IV.** In compliance with the policy defined by the Board of Directors, the Committee carried out an analysis and the relevant recommendation regarding the amount and terms of a dividend to be paid to the shareholders, considering profits generated in the previous financial year (2011), capex budget for 2012, treasury capacity and cash flow.
- V.** During the year reported, the Committee received reports on the progress of the transaction of a Joint Venture with a specialized retail company in the pet business which was in negotiations. Suggestions were made and, when applicable, it authorized and recommended its approval, having signed a first agreement in December 2012 for the operation with "Petco".
- VI.** In the scope of its authority and responsibilities, the Committee approved asset valuation criteria and recommended the Board

to approve adjustments to the balance sheet pursuant to International Financial Reporting Standards ("IFRS").

- VII.** In view of a potential acquisition of shares for a transaction regarding Office Depot de México, the Committee actively participated in the valuation analysis of the transaction and its effects, as well as in considering strategies. The Committee met two times to address this subject and it submitted specific recommendations, both from the perspective of its implications and from the financing strategy, in compliance with its powers and responsibilities.

Therefore, by means of this report we hereby comply with the provisions of the corporate by-laws and other applicable provisions of the Board of Directors Regulations of Grupo Gigante.



Javier Molinar Horcasitas
Committee Chairman



Ángel Losada Moreno



Juan Carlos Mateos Durán de Huerta



Sergio Montero Querejeta
Committee Secretary

Board of Directors & Committees

Equity Board Members

Ángel Losada Moreno

Chairman of the Board of Directors and Chief Executive Officer of Grupo Gigante
BS in Business Administration, Universidad Anáhuac

Braulio Antonio Arsuaga Losada

Associate Director, Grupo Presidente
BS in Business Administration, Universidad Anáhuac
MS in Business Administration, Southern Methodist University

Gonzalo Barrutieta Losada

Chairman of the board, Operadora IPC de México
BS in Economics, ITAM
MS in Business Administration, Claremont Graduate University

Related Board Members

José Alverde Losada

General Director of Desarrolladora A&L
BS in Business Administration, Universidad Iberoamericana
MS in Business Administration, Texas University

Independent Board Members

Roberto Salvo Horvilleur

Independent board member in several companies in Mexico and Central America
BS in Business Administration, University of Notre Dame
MS in Business Administration, INCAE Business School

José Aguilera Medrano †

Vicepresident of Grupo Financiero Banamex
BS in Public Accountancy, Escuela Bancaria y Comercial

Javier Molinar Horcasitas

General Director of the Office Integration Grupo Financiero Banorte - IXE
BS in Business Administration, Universidad La Salle

Gilberto Pérezalonso Cifuentes

Chairman of the Board of Directors of Volaris
BS in Legal Studies, Universidad Iberoamericana
BS in Business Administration, INCAE Business School
Corporate Finance Program, Harvard University

Luis Rebollar Corona

Independent board member in several companies
BS in Chemical Engineering, UNAM

Luis Santana Castillo

Independent board member in several companies
BS in Philosophy, Pontifical Gregorian University, Roma, Italia.
MS in Administration, IPADE, México

Manuel Somoza Alonso

Chairman of the board of Directors of Somoza Finamex Inversiones
BS in Economics, Universidad Anáhuac
MS in Business Administration, TEC de Monterrey México

Alfonso Salem Slim

Chairman of Inmuebles Carso
Civil Engineer
Universidad Anáhuac

Juan Carlos Mateos Durán de Huerta

Director of Equity Research, HSBC México
BS in Economics, Claremont McKenna College
MS in Business Administration, Harvard Business School

Javier Martínez del Campo Lanz

Secretary of the Board, Grupo Gigante, S.A.B. de C.V.

Audit Committee

Luis Santana Castillo

Chairman

Roberto Salvo Horvilleur

Luis Rebollar Corona

Ernesto Valenzuela Espinoza

Secretary

Governance Committee

Roberto Salvo Horvilleur

Chairman

Gilberto Pérezalonso Cifuentes

Luis Santana Castillo

Sergio Montero Querejeta

Secretary

Finance and Planning Committee

Javier Molinar Horcasitas

Chairman

Ángel Losada Moreno

José Aguilera Medrano †

Sergio Montero Querejeta

Secretary

Consolidated financial statements

Independent Auditors' Report	40
Consolidated Statements of Financial Position	42
Consolidated Statements of Comprehensive Income	42
Consolidated Statements of Changes in Stockholders' Equity	43
Consolidated Statements of Cash Flows	44
Notes to Consolidated Financial Statements	45

Grupo Gigante, S. A. B. de C. V. and Subsidiaries



Independent Auditors' Report to the Board of Directors and Stockholders of **Grupo Gigante, S. A. B. de C. V.**

We have audited the accompanying consolidated financial statements of Grupo Gigante, S. A. B. de C. V. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011 and as of January 1, 2011 (date of transition), and the related consolidated statements of comprehensive income, consolidated statements of changes in their stockholders' equity and consolidated statements of cash flows for the years ended December 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Grupo Gigante, S. A. B. de C. V. and its subsidiaries as of December 31, 2012 and 2011 and as of January 1, 2011 (date of transition), and of their financial performance and their cash flows for the years ended December 31, 2012 and 2011, in accordance with International Financial Reporting Standards.

Emphasis of Matter

As mentioned in Note 27, the Company adopted International Financial Reporting Standards for the first time for the year ended December 31, 2012. Such adoption affected the amounts previously reported in the Company's consolidated financial statements which were presented under Mexican Financial Reporting Standards.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited



C. P. C. Francisco Pérez Cisneros

February 19, 2013

Consolidated Statements of Financial Position Sheets

As of December 31, 2012 and 2011 and as of January 1, 2011 (date of transition) (In thousands of Mexican pesos)

	Note	31/12/2012	31/12/2011	01/01/2011
ASSETS				
Current assets:				
Cash and cash equivalents	5	\$ 968,659	\$ 462,939	\$ 454,868
Financial instruments	6	3,095,453	3,924,646	3,685,743
Accounts receivable – Net	7	1,340,725	1,259,445	1,220,980
Inventories – Net	8	3,745,947	3,659,434	3,477,886
Prepaid expenses		117,624	132,514	144,030
Total current assets		9,268,408	9,438,978	8,983,507
Property and equipment – Net	9	8,451,215	7,789,082	7,101,463
Investment property	10	10,473,634	9,881,645	9,140,730
Investments in associates		40,662	-	-
Goodwill	11	47,750	47,750	47,750
Intangibles and prepaid expenses – Net	12	186,143	217,532	233,706
Total		\$ 28,467,812	\$ 27,374,987	\$ 25,507,156
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Trade accounts payable		\$ 2,457,432	\$ 2,681,299	\$ 2,452,271
Current portion of long-term debt	14	337,085	29,263	6,533
Accrued expenses and taxes	13	1,162,641	1,488,990	984,031
Total current liabilities		3,957,158	4,199,552	3,442,835
Long-term debt	14	688,208	524,425	553,276
Employee benefits	15	92,172	83,839	75,100
Deferred income taxes	22	1,733,618	1,725,170	1,550,957
Prepaid rents received		179,997	125,909	104,533
Total liabilities		6,651,153	6,658,895	5,726,701
Stockholders' equity:				
Common stock	17	1,374,928	1,374,928	1,374,928
Additional paid-in capital		4,026,542	4,026,542	4,026,542
Retained earnings		11,939,512	11,334,114	11,095,802
Other comprehensive income		1,073,324	971,504	411,373
Equity attributable to owners of the Company		18,414,306	17,707,088	16,908,645
Non-controlling interest		3,402,353	3,009,004	2,871,810
Total stockholders' equity		21,816,659	20,716,092	19,780,455
Total liabilities and stockholders' equity		\$ 28,467,812	\$ 27,374,987	\$ 25,507,156

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2012 and 2011 (In thousands of Mexican pesos, except per share data)

	Note	31/12/2012	31/12/2011
Revenues:			
Sales of goods – Net		\$ 17,888,843	\$ 16,463,325
Rental income		904,851	772,675
Other income		67,153	79,180
		18,860,847	17,315,180
Cost of sales	20	11,731,670	10,955,033
Operating expenses	20	5,106,320	4,567,864
(Gain) loss on revaluation of investment property	10	(102,854)	77,154
Interest expense		64,818	59,505
Interest income		(84,035)	(80,224)
Exchange loss (gain) – Net		106,735	(116,075)
(Gain) loss on revaluation of financial instruments – Net		(17,240)	14,514
Profit for the year from continuing operations before income taxes		2,055,433	1,837,409
Income taxes expense	22	565,965	461,164
Profit for the year from continuing operations		1,489,468	1,376,245
Loss for the year from discontinued operations	23	387,208	567,403
Profit for the year		\$ 1,102,260	\$ 808,842
Other comprehensive income:			
Foreign currency translation loss (gain)		\$ 36,819	\$ (148,056)
Net fair value gain on available-for-sale financial assets		(160,714)	(692,482)
Deferred tax related to gain on available-for-sale financial assets		40,382	204,958
Other comprehensive income for the year		(83,513)	(635,580)
Total comprehensive income for the year		\$ 1,185,773	\$ 1,444,422
Profit for the year attributable to:			
Owners of the Company		\$ 690,604	\$ 447,097
Non-controlling interest		411,656	361,745
		\$ 1,102,260	\$ 808,842
Other comprehensive income attributable to:			
Owners of the Company		\$ 792,424	\$ 1,007,228
Non-controlling interest		393,349	437,194
		\$ 1,185,773	\$ 1,444,422
Earnings per share:			
Basic and diluted earnings from continued and discontinued operations	24	\$ 1.08	\$ 1.02
Basic and diluted earnings from continued operations	24	\$ 0.69	\$ 0.45

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2012 and 2011 (In thousands of Mexican pesos)

	Common stock	Additional paid-in Capital	Retained earnings	Net cumulative fair value gain on available for-sale financial assets	Foreign currency translation	Non-controlling interest	Total stockholders' equity
Balances as of January 1, 2011	\$ 1,374,928	\$ 4,026,542	\$ 11,095,802	\$ 411,373	\$ -	\$ 2,871,810	\$ 19,780,455
Dividends paid	-	-	(208,785)	-	-	-	(208,785)
Dividends declared to non-controlling interest	-	-	-	-	-	(300,000)	(300,000)
Comprehensive income	-	-	447,097	487,524	72,607	437,194	1,444,422
Balances as of December 31, 2011	1,374,928	4,026,542	11,334,114	898,897	72,607	3,009,004	20,716,092
Dividends paid	-	-	(85,206)	-	-	-	(85,206)
Comprehensive income	-	-	690,604	120,332	(18,512)	393,349	1,185,773
Balances as of December 31, 2012	\$ 1,374,928	\$ 4,026,542	\$ 11,939,512	\$ 1,019,229	\$ 54,095	\$ 3,402,353	\$ 21,816,659

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For the years ended December 31, 2012 and 2011 (In thousands of Mexican pesos)

	31/12/2012	31/12/2011
Cash flow from operating activities:		
Profit before income taxes from continued operations	\$ 2,055,433	\$ 1,837,409
Adjustments:		
Depreciation and amortization	476,876	456,645
(Gain) loss on revaluation of investment property	(102,854)	77,154
Loss on disposal of property and equipment	49,518	34,497
(Gain) loss on revaluation of financial instruments	(17,240)	14,514
Dividends received	(17,580)	(11,047)
Interest income	(84,035)	(80,224)
Interest expense	64,818	59,505
	2,424,936	2,388,453
Working capital adjustments:		
(Increase) decrease in:		
Accounts receivable – Net	(276,396)	(7,645)
Inventories – Net	(500,886)	(230,471)
Prepaid expenses	2,773	(10,364)
Increase (decrease) in:		
Trade accounts payable	64,059	180,020
Accrued expenses and taxes	(520,267)	125,407
Income taxes paid	(309,319)	(293,049)
Cash flows from discontinued operations	247,037	(34,079)
Net cash generated by operating activities	1,131,937	2,118,272
Cash flow from investing activities:		
Acquisition of property and equipment	(1,514,845)	(1,113,262)
Purchases of investment property	(489,135)	(818,069)
Sale of property and equipment	315	11,860
Dividends received in cash from available-for-sale equity instruments	17,580	11,047
Disposals of financial instruments held for trading	966,769	234,109
Investment in associate	(40,662)	-
Interest received	84,035	80,224
Cash flows from discontinued operations	64,962	(89,755)
Net cash used in investing activities	(910,981)	(1,683,846)
Cash flow from financing activities:		
Proceeds from borrowings	502,600	-
Re-payments of borrowings	(30,993)	(6,121)
Interest paid	(64,818)	(59,505)
Dividends paid to non-controlling interest	-	(300,000)
Dividends paid	(85,206)	(208,785)
Net cash generated by (used in) financing activities	321,583	(574,411)
Net increase (decrease) in cash and cash equivalents	542,539	(139,985)
Cash and cash equivalents at the beginning of year	462,939	454,868
Effects of exchange rates changes on cash	(36,819)	148,056
Cash and cash equivalents at the end of year	\$ 968,659	\$ 462,939

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2012, 2011 and the beginning of 2011 (date of transition) (In thousands of Mexican pesos, except earnings per share data)

1. General information

Grupo Gigante, S. A. B. de C. V. ("Grupo Gigante") is a corporation under the laws of Mexico. The address of its corporate offices is Ejército Nacional 350, Chapultepec Morales, 11570, in Mexico City, México.

Grupo Gigante, S. A. B. de C. V. and subsidiaries (collectively, the "Company") is engaged in the operation of restaurants, management and development of investment property and the operation of self-service stores that sell office supplies, electronic goods, as well as housewares.

In June 2012, the Company signed a contract for the sale of all the shares of its, until then, wholly-owned subsidiary Tiendas Súper Precio, S.A de C.V., which was engaged in the operation of retail stores that sold general merchandise and other supplies. During October 2012, such sale was completed; therefore the revenues, costs and expenses related to this operation are presented as discontinued operations in the accompanying consolidated financial statements.

2. Basis of presentation

Explanation for translation into English - The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Certain accounting practices applied by the Company that conform with IFRS may not conform with accounting principles generally accepted in the country of use.

a. Adoption of International Financial Reporting Standards

The Company adopted IFRS as of December 31, 2012; therefore, the accompanying consolidated financial statements are the Company's initial financial statements prepared in accordance with IFRS, they include the application of IFRS 1, *First Time Adoption of International Financial Reporting Standards*, and the related transition requirements.

- IFRS Transition

The most recently issued annual consolidated financial statements of the Company (which were for the year ended December 31, 2011) were prepared in accordance with Mexican Financial Reporting Standards ("MFRS", individually referred to as *Normas de Información Financiera*, or "NIFs"). MFRS differs in certain respects from IFRS. Therefore, in preparing the consolidated financial statements as of December 31, 2012 and 2011 and for the years then ended, the Company has modified certain presentation and measurement basis that previously used under NIF. Accordingly, certain adjustments and transition rules have been applied to the 2011 figures previously reported under MFRS in order for them to comply with IFRS. The Company's date of transition, which is defined as the beginning of the earliest period for which the Company is presenting comparative information, is January 1, 2011 ("date of transition").

Reconciliations and descriptions of the transition effects from NIF to IFRS in the consolidated statements of financial position, initial adoption and transitional period of comprehensive income and cash flow are explained in Note 27.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for investment property and financial instruments, both of which are measured at fair value, as explained in the accounting policies below:

- i. Historical cost is generally based on the fair value of the consideration given in exchange for assets.
- ii. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

c. Basis of consolidation

The consolidated financial statements include the financial information of the Company and those of the subsidiaries over which it exercises control. The Company has control over an entity when it is exposed, or has rights, to variable returns from its involvement with such entity and it has the ability to affect those returns through its power over the entity. Grupo Gigante owns approximately 99.9% of most of its subsidiaries, which comprise the following companies held as of the dates indicated below:

Shareholding participation in the capital stock of its subsidiaries is as follow:

Company or Group	Ownership 2012	Ownership 2011	Activity
Office Depot de México, S. A. de C. V. and Subsidiaries	50.00%	50.00%	219 office supply stores in México (including two Distribution Centers that also sell merchandise), 6 in Costa Rica, 8 in Guatemala, 4 in El Salvador, 2 in Honduras, 4 in Panamá (including one distribution center that also sells merchandise), 14 in Colombia and 1 distribution center in México.
Restaurantes Toks, S. A. de C. V.	100.00%	100.00%	Chain of 109 restaurants.
Gigante Grupo Inmobiliario, S. A. de C. V. and Subsidiaries	100.00%	100.00%	56 companies that own and manage properties where offices, stores and shopping centers leased to third parties are located as well as some of the Company's restaurants and stores.
Gigante Fleming, S.A. de C.V.	100.00%	100.00%	Real estate company that owns investment property where 2 of the Company's stores that are rented to third parties, are located.
Signos Distintivos Fleming, S.A. de C.V.	100.00%		Has the use and control of Company's trademarks. Initiated operations in 2012.
PSMT México, S. A. de C. V. and Subsidiaries	100.00%	100.00%	Land reserve owner.
Controladora y Operadora de Inmuebles, S.A. de C.V. (until 2011 Inmobiliaria Toks, S.A. de C.V.)	100.00%	100.00%	Real estate company.

Company or Group	Ownership 2012	Ownership 2011	Activity
Servicios Gigante, S. A. de C. V.	99.99%	99.99%	Provides administrative services to the Company.
Servicios Toks, S. A. de C. V.	100.00%	100.00%	Provides administrative services to the Company.
Operadora Gigante, S. A. de C. V.	100.00%	100.00%	Provides administrative services to the Company.
Servicios Gastronómicos Gigante, S. A. de C. V.	100.00%	100.00%	Provides administrative services to the Company.
Servicios Operativos Gigante, S. A. de C. V.	100.00%	100.00%	Provides administrative services to the Company.
Importadora Corporativa del Centro, S. A. de C. V.	100.00%	100.00%	Purchase-sale and distribution of merchandise.
Distribuidora Storehome, S. A. de C. V.	100.00%	100.00%	Operates 13 self-service stores that sell houseware.
Servicios Técnicos y Administrativos Gigante, S. A. de C. V.	100.00%	100.00%	Provides administrative services to the Company.
Unidad de Servicios Compartidos Gigante, S.A. de C.V.	100.00%	100.00%	Provides administrative services to the Company.
Tiendas Súper Precio, S.A. de C.V.		100.00%	Operated 451 self-service stores that sold groceries and general merchandise. See Note 24
Hospitalidad y Servicios Especializados Gigante, S.A. de C.V. and Subsidiaries	100.00%	100.00%	Holding company; its subsidiaries operate 7 Chinese fast food restaurants and 3 specialty coffees.

Significant intercompany balances and transactions have been eliminated.

Permanent investments in entities where the Company's ownership interest is 50%, or less, but over which the Company exercises control are consolidated in these consolidated financial statements. Such power includes de facto power which includes instances where the Company has the practical and unilateral ability to direct the relevant activities that significantly affect the variable returns of the related entity.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Non-controlling interests in subsidiaries are identified separately in respect of investments that the Company has on them. Participation in non-controlling interests are initially measured at the non-controlling proportional participation over the recognized amount of the acquirer's identifiable net assets. After acquisition, the carrying value of the equity attributable to owners of the Company represents the amount of such interest to initial recognition plus the portion of non-controlling interests subsequent statement of changes in stockholders' equity. Comprehensive income is attributed to non-controlling interests even if it leads to a deficit in them.

- i. **Subsidiaries*** - Subsidiaries are all entities over which the Company has the power to govern financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Company, and are no longer consolidated from the date that control is lost.

Accounting policies of subsidiaries have been changed where necessary to ensure that there is consistency with the policies adopted by the Company.

- ii. **Associates*** - An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are initially recognized at cost and are subsequently accounted for under the equity method.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill. The Company has not generated goodwill on investments in associates in the periods reported.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The investment in associates balance as of December 31, 2012 is represented by the Company's investment in a trust; such trust is developing a shopping center in the State of Veracruz.

d. Changes in the Company's ownership interests in existing subsidiaries

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*, or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. Summary of significant accounting policies

The accompanying consolidated financial are in accordance with IFRS, issued by the IASB. In the application of the Company's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The Company's management, applying professional judgment, considers that estimates and assumptions used were adequate under the circumstances. The significant accounting policies applied by the Company are as follows:

a. Cash equivalents

Cash equivalents consist mainly in short-term investments, highly liquid and easily convertible into cash, maturing within three months as of their acquisition date, which are subject to immaterial value change risks. Cash equivalents are measured at fair value; any fluctuations in fair value are recognized in profit for the year.

b. Restricted cash

Restricted cash represents cash and cash equivalents balances held by the Company that are only available for use under certain conditions pursuant to the guarantee agreement entered into by the Company (as discussed in Note 5). These restrictions are shorter of 12 months; therefore, the restricted cash balance has been classified as current asset.

c. Financial assets

Financial assets are recognized when the Entity or any of its subsidiaries becomes a party to the contract governing such financial instruments.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), amortized cost, held-to-maturity investments, available-for-sale (AFS) financial assets and loans and receivable. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of

assets within the time frame established by regulation or convention in the marketplace. At the reporting date of the consolidated financial statements the Company had only financial instruments classified as financial assets held for trading, available- for- sale financial assets and loans and receivables:

i. Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

ii. Financial assets at fair value through profit of loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. See Notes 6 and 16b.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial assets held for trading are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss in the "Net gain on fair value of available- for- sale financial assets" line item within the consolidated statements of comprehensive income.

The Company has not designated any asset as at FVTPL.

iii. Available-for-sale financial assets (AFS financial assets)

The Company maintains investments in equity instruments of other entities that have been designated as available-for-sale. These investments are measured at fair value at the report date and changes in fair value are recognized in other comprehensive income, net of tax. See Note 6.

Dividends on available- for- sale equity instruments are recognized in profit or loss, in the other income line item, when the right of the entity to receive dividends is established.

iv. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed payments or payments that may be determined and are not quoted in an active market. Loans and receivables (including accounts receivable, operating lease receivables, bank balances, and others) are measured at amortized cost using the effective interest method, less any impairment.

Accounts receivable are mainly comprised of trading receivables.

v. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS investments in equity instruments, a significant or prolonged decline in the fair value of the equity instrument below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets recorded at cost, the amount for the impairment loss is calculated as the difference between the book value of the asset and the current value of the estimated future cash flows, deducted from the current rate of the exchange market for a similar financial asset. Such impairment loss will not be reverted to subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trading receivables, where the carrying amount is reduced through the use of an allowance account. When a trading receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS investments in equity instruments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

vi. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

d. Inventories

Inventories are stated at the lower of cost or realizable value. The costs, including a portion of fixed and variable overhead costs are allocated to inventories using the most appropriate method for the particular kind of inventory, being mainly measured using the average cost. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

e. Prepaid expenses

Prepaid expenses are valued at the amount of cash or cash equivalents paid and recognized as assets from the date that the payment is made. They are recognized in profit or loss using the straight line method over the periods in which the related services are rendered or goods used. They are classified as short-term or long-term depending on whether the period of use of the services or goods goes beyond 12 months.

f. Real estate inventories

Real estate inventories consist of houses and apartments, land in process of being developed for its sale, costs and expenses incurred during the construction process of such inventories. They are stated at its construction cost, including all directly attributable costs such as the cost of the land used, construction in process and borrowing costs, without exceeding its realizable value.

g. Property and equipment

Property and equipment are initially recognized at cost.

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in such estimates accounted for on a prospective basis. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation is calculated using the straight-line method based on the estimated useful lives of the related assets, as follows:

	Average years
Buildings	40
Leasehold improvements	9-25
Furniture and equipment	4-10
Vehicles	4
Computers	4

Leasehold improvements are amortized over the shorter of their useful life or the life of the lease.

h. Investment property

Investment property are properties held to earn rentals and/or for capital appreciation, mainly buildings and land destined for use as which are supermarkets, stores and offices by the Company's customers which operate in the retail and specialty commerce industries. It includes investment property under construction for such purposes. Property occupied by the Company is segregated from the Company's investment property and classified as property and equipment, such segregation is made based on relative square meters.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Fair values are based on market values, which are estimated to be the amount of money for which an investment property could be sold at the measurement date. Fair value for investment property and land occupied or ready to be occupied for the Company's tenants is determined internally using valuation techniques such as the discounted cash flows approach which uses the capitalization of rental income minus property operating expenses, such as maintenance, insurance and other direct costs. The valuations take into account the ability of market participants to generate economic benefits by selling the asset or by using it in its "highest and best use" which includes the consideration of the highest and best use that physically possible, legally permissible and financially feasible. The techniques used include assumptions, the majority of which are not directly observable in the market, to estimate the fair value of the Company's investment property such as discount rates, capitalization rates and occupancy rates.

After initial recognition of the investment property, all repairs and maintenance expenses are recognized within profit or loss of the period in which they are incurred.

Investment property under construction are measured at its fair value only to the extent that such fair value can be reliably determined. In such determination, management considers, among other factors, the general conditions of the construction contract, the stage of completion of such construction, the existence of similar construction projects in the market, the reliability of the expected future cash inflows, the specific risk of the related property and past experiences.

An investment property is derecognized upon sale or when the investment property is permanently withdrawn from use and no future economic benefits are expected to be received from such investment property. Any gain or loss arising on derecognition of the property (calculated as the difference between the net sale proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

The Company transfers from other categories of property to investment property when, and only when, there is a change in use, evidenced by commencement of development with a view to sell, the Company vacates an existing owner-occupied property with a view to begin redevelopment as investment property or the beginning of an operating lease with a third party.

i. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowing costs incurred in the construction of investment property are recognized in profit or loss in the period in which the Company incurs them.

j. Goodwill

Goodwill arising on an acquisition of a business is recognized as an asset on the date in which the Company obtains control (see Note 11) of the acquired entity and it represents the excess of the consideration transferred less the fair value of the assets and liabilities acquired on acquisition date. Goodwill is subject to impairment tests annually.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

k. Deferred charges

Costs incurred in the development phase that meet certain requirements and that the Company has determined will have future economic benefits are capitalized and amortized using the straight-line-method over their estimated useful lives. Disbursements that do not meet such requirements, as well as research cost, are recorded in profit or loss of the period in which they are incurred.

l. Client lists

Client lists represent the fair value of the intangible assets related to client lists identified as an asset at the acquisition date. Its expected economic life is estimated to be 5 years and is subject to impairment tests on an annual basis.

m. Leasing

Leases are classified as finance leases whenever the terms of the lease agreement transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company, as a lessor, retains substantially all of the benefits and risks of ownership of the property and accounts for its leases as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease agreement.

As a lessee, the Company recognizes operating lease payments as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Rent holidays are amortized over the lease term.

n. Impairment in value of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

o. Financial liabilities and equity instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

i. Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

ii. Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

iii. Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

iv. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

v. Offset

Financial assets and liabilities are subject to offset and the net amount is shown in the financial status statement only when the Company has a legal right to offset the amounts and its purpose is to carry out liquidation on a net basis or to simultaneously realize the asset and liquidate the liability.

vi. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

p. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks.

Derivative financial instruments shown as of the date of the report, even if they are entered into with hedging purposes from an economic perspective, have been given a negotiation nature for accounting effects. The fluctuation in the fair value of these derivatives is recognized in the estimated profits and losses for the period in the item for variation in assessment of derivative financial instruments.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset while a derivative with a negative fair value is recognized as a financial liability.

The Company recognizes all of the assets or liabilities arisen from the transactions with derivative financial instruments in the consolidated statement of financial position at fair value. The fair value is determined based on renowned market prices and when they are not listed in a market, it is determined based on assessment techniques accepted in the financial sphere.

q. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that the Company will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties associated with the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts. Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

r. Employee benefits

i. Direct employee benefits: Are calculated based on the services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues. These benefits include mainly statutory employee profit sharing ("PTU") payable, compensated absences, such as vacation and vacation premiums, and incentives.

ii. Post-employment benefits: The Company has different post-employment benefit plans (such as seniority premiums and pensions). For defined benefit plans the cost of providing benefits is determined using the Projected Unit Credit Method with actuarial gains and losses are recognized in profit or loss in the period in which they occur.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation and it is reduced by the fair value of plan assets.

Payments made to defined contribution plans are recognized as an expense when employees have rendered service entitling them to the contributions.

iii. Employee benefits for termination: Employee benefits for termination are recorded in the results of the year in which they are incurred.

iv. Statutory employee profit sharing (PTU): PTU is a benefit for the employees pursuant to the Mexican Labor Law. The PTU is determined based on the tax profit pursuant to Section I of Article 16 of the Income Tax Law. PTU is recognized in profit or loss in the year in which it accrues and is presented in the line item of operating expenses in the consolidated statement of comprehensive income.

s. Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

i. Income taxes

Income tax ("ISR") and the Business Flat Tax ("IETU") are recognized in the results of the year in which they are incurred.

ii. Deferred income taxes

In order to recognize deferred income taxes, based on its financial projections, the Company determines whether it expects to incur ISR or IETU. Deferred taxes are then calculated by applying either the ISR or IETU tax rate to temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recorded only when there is a high probability of recovery.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

iii. Currents and deferred taxes

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

t. Repurchase of treasury shares

In accordance with Mexico's Securities Market Law, the Company has appropriated retained earnings for a reserve for the repurchase of the Company's shares in order to strengthen the offer and demand of its shares in the stock market. Shares temporarily acquired by the Company that are withdrawn from the market are considered treasury shares.

u. Foreign currencies

The individual financial statements of each Company's subsidiary are prepared in the currency of the primary economic environment in which the Company operates (its functional currency). For purposes of these financial statements, the results and financial position of each entity are expressed in Mexican pesos, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless

exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

v. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Company recognizes revenue related to the different activities it is engaged on as follows:

- i. **Revenues from sale of products:** They are recognized in the period in which the risks and rewards of ownership of the inventories are transferred to customers, which generally coincides with the delivery of products to customers in satisfaction of orders.
- ii. **Rental income:** Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are capitalized within non-current assets and recognized on a straight-line basis over the lease term. Income from maintenance services related to property for rent granted are recognized in the period in which they accrue. Leasing incentives are recognized on a straight-line basis over the life of the lease.

w. Statement of Cash Flows

The Company reports cash flows for investment transactions using the indirect method whereby the profit or loss is adjusted for the effects of transactions of a nature different than cash, any deferral of inflow or outflow of cash for past or future accumulation or entries of income or expenses associated with cash flows from investment or financing activities.

Since the Company presents discontinued operations, the starting point for the consolidated statements of cash flows is profit from continuing operations before income taxes.

Interests paid and interests and dividends received are classified as financing and investment activities, respectively.

x. Earnings per share

Basic earnings per common share are calculated by dividing net income of the equity attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are determined by adjusting the profit for the year and common shares on the assumption that the Company's commitments to issue or exchange its own shares would be fulfilled. During 2012, the company does not have any dilutive instruments.

y. New and revised IFRSs issued but not yet effective:

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments ⁽³⁾
IFRS 13	Fair Value Measurement ⁽¹⁾
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ⁽¹⁾
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and transition disclosures ⁽³⁾
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and disclosure of interest in other entities: transition guidance ⁽¹⁾
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income ⁽⁴⁾
IAS 19 (as revised in 2011)	Employee Benefits ⁽¹⁾
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities ⁽²⁾
Amendments to IFRSs	Annual improvements to IFRSs 2009-2011 Cycle except for the amendment to IAS 1 ⁽¹⁾
IFRIC 20	Stripping Costs in the Production phase of a surface mine ⁽¹⁾

(1) Effective for annual periods beginning on or after 1 January 2013

(2) Effective for annual periods beginning on or after 1 January 2014

(3) Effective for annual periods beginning on or after 1 January 2015

(4) Effective for annual periods beginning on or after 1 July 2012

At the date of these consolidated financial statements, the Company has not fully assessed the effects of adopting these new standards on its financial information but management believes that their adoption will not have a material impact on its financial position or the results of its operations.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Critical accounting judgments when applying accounting policies

- i. **Consolidation of subsidiaries** – The Company consolidates entities in which it has an interest of 50% or less; these entities are consolidated in the financial statements because management has determined that it has de facto control over them. Such power includes the practical and unilateral ability to direct the relevant activities that significantly affect the performance of such entity.
- ii. **Leases classification** – Leases are classified based on the extent that the risks and benefits inherent to the property of the leased asset are transferred or maintained, depending more on the substance of the transaction than in the legal form. The Company set forth internal criteria to determine if the term of the leases is for most of the economic life of the leased property, as well as the criteria for the separation of the value allocated to the land and the construction by the participants on the lease of a real estate.

b. Key sources of estimation uncertainty:

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i. Investment property

The Company carries out internal valuations of its investment property which are occupied or ready to be occupied by leases (investment properties in operation). The valuation methodology includes assumptions that are not directly observable in the market to determine the fair value. The method used was the income capitalization method - income methodology, which consists of techniques and mathematic procedures to analyze the capacity for the future generation of economic benefits by the property measured at present value. The main assumptions used in such calculation are occupancy rates, the Company's historic trend of rental income and the discount rate applied to the net future cash inflows (the weighted average cost of capital). Significant decreases (increases) in occupancy levels and/or in the rental income, or, significant increases (decreases) in the discount rate, may result in a fair value for the investment properties significantly smaller (higher) and a related impact in profit or loss.

The valuation techniques used during 2012, 2011 and 2010 has been consistent. Management believes that the valuation methodologies and assumptions used are appropriate for the determination of the Company's investment property fair values.

For investment property that is not in condition for being occupied (land or land reserves maintained for future development or to obtain capital appreciation) external appraisals are performed periodically.

ii. Property and equipment

The Company determines the useful lives and residual values of its property and equipment based on its experience.

iii. Impairment testing

The Company is required to test for impairment of its long-lived assets in use, including goodwill and other intangible assets, at least on an annual basis. To calculate impairment loss of long-lived assets in use, it is necessary to determine the asset's recovery value. Recovery value is defined as the greater of the net sales

price of an asset or cash-generating unit and the asset's or cash-generating unit's use value, which is the present value of estimated future cash flows. The determination of the underlying assumptions related to the recoverability of long-lived assets, including goodwill and other intangible assets, is subjective and requires the exercise of considerable judgment. Any changes in key assumptions about the Company's business and prospects, or changes in market conditions, could result in an impairment charge.

Determining whether goodwill is impaired requires an estimation of the value-in use of the cash-generating units to which goodwill has been allocated. The value-in use calculation requires management to estimate the present value of the future cash flows expected to arise from the cash-generating unit, determined using a suitable discount.

iv. Deferred taxes

Under IFRS, the Company is required to recognize income tax effects of basis differentials between the Company's assets and liabilities for financial accounting and tax reporting purposes. A deferred income tax asset related to future tax losses carryforwards is recognized in the consolidated financial statements to the extent that it is more likely than not that a future benefit will ultimately flow to the Company. Such estimates are based on management's knowledge of the business as well as projections of future profits, including tax strategies entered into by the Company.

5. Cash and cash equivalents

Cash consists mainly of bank deposits and short-term investment and it is measured at fair value.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks and financial instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	31/12/2012	31/12/2011	01/01/2011
Cash	\$ 13,001	\$ 13,421	\$ 21,031
Cash equivalents	914,065	401,027	398,840
Restricted cash and cash equivalents	41,593	48,491	34,997
	\$ 968,659	\$ 462,939	\$ 454,868

Some of the Company's subsidiaries have borrowings from financial institutions whose contracts require certain amount of cash to be deposited as collateral. Such amounts are deposited in trusts related to the rental income from the property built by the Company using such borrowings and reserve funds have been established to service the borrowings such reserve funds are equivalent to five monthly payments of capital and interest. The deposited amounts are invested in debt instruments which are highly liquid such as government bonds. At the end of the reporting period, the balance maintained for the service of the debt in accordance with the borrowing agreements is presented as restricted cash.

6. Financial instruments

	31/12/2012	31/12/2011	01/01/2011
Available-for-sale financial assets (i)	\$ 1,881,022	\$ 1,789,355	\$ 785,106
Held for trading financial assets (ii)	1,214,431	2,135,291	2,900,637
	\$ 3,095,453	\$ 3,924,646	\$ 3,685,743

(i) Investments in equity instruments of entities that are listed on stock exchanges measured at fair value.

(ii) Investments in financial instruments acquired with the intention of being sold in a short period of time.

7. Accounts receivable

a) Accounts receivable are as follow:

	31/12/2012	31/12/2011	01/01/2011
Trade accounts receivable	\$ 686,291	\$ 664,909	\$ 547,913
Allowance for doubtful accounts	(19,315)	(17,349)	(19,785)
	666,976	647,560	528,128
Recoverable taxes (mainly VAT)	590,098	533,589	604,541
Other accounts receivable	83,651	78,296	88,311
Total	\$ 1,340,725	\$ 1,259,445	\$ 1,220,980

b) Movement in the allowance for doubtful accounts receivable is as follows:

	31/12/2012	31/12/2011
Balance at beginning of the year	\$ 17,349	\$ 19,785
Increases recognized during the year	7,935	7,556
Amounts written-off during the year as uncollectible	(5,969)	(9,992)
Balance at end of the year	\$ 19,315	\$ 17,349

Normal credit terms for most of the customers of the Company are 30 to 90 days; thereafter the payment is considered past due. As of December 31, 2012, 86% of all accounts receivable are current.

Balances past due but not impaired: The main account receivable balance that is past due but not impaired relates to the balance owed by one of the Company's clients, which even though is past due, management considers it has a high probability of being collected and therefore, an allowance for recoverability has not been created. As of December 31, 2012, the amount of past due but not impaired receivable is \$77,228.

The allowance for doubtful accounts receivable covers receivables past due for more than 90 days with low recovery possibilities.

8. Inventories

	31/12/2012	31/12/2011	01/01/2011
Office supplies inventories	\$ 3,390,842	\$ 3,367,611	\$ 3,240,167
Housware supplies inventories	82,173	66,932	40,477
Food inventories	32,688	29,395	19,869
Allowance for inventories	(20,403)	(19,356)	(26,500)
	3,485,300	3,444,582	3,274,013
Housing inventories	260,647	214,852	203,873
	\$ 3,745,947	\$ 3,659,434	\$ 3,477,886

9. Property and equipment

- a. The gross carrying amounts at acquisition cost of property and equipment and accumulated depreciation to each of the above dates are as follows:

	31/12/2012	31/12/2011	01/01/2011
Gross investment at cost:			
Land	\$ 1,969,375	\$ 1,801,848	\$ 1,546,934
Buildings and leasehold improvements	6,652,974	6,051,742	5,644,648
Furniture and equipment	1,714,509	1,757,591	1,555,356
Computers	478,270	471,585	409,471
Vehicles	266,017	250,849	223,523
Construction in-progress	198,598	148,515	68,130
Gross investment	\$ 11,279,743	\$ 10,482,130	\$ 9,448,062
Accumulated depreciation:			
Buildings and leasehold improvements	\$ (1,451,535)	\$ (1,375,056)	\$ (1,213,272)
Furniture and equipment	(908,109)	(852,138)	(725,172)
Computers	(330,403)	(324,535)	(284,984)
Vehicles	(138,481)	(141,319)	(123,171)
Accumulated depreciation	\$ (2,828,528)	\$ (2,693,048)	\$ (2,346,599)
Net investment:			
Land	\$ 1,969,375	\$ 1,801,848	\$ 1,546,934
Buildings and leasehold improvements	5,201,439	4,676,686	4,431,376
Furniture and equipment	806,400	905,453	830,184
Computers	147,867	147,050	124,487
Other equipment	127,536	109,530	100,352
Construction in-progress	198,598	148,515	68,130
Total property and equipment – Net	\$ 8,451,215	\$ 7,789,082	\$ 7,101,463

b. The rollforward of the net book value of property and equipment is as follows:

	Land	Buildings and leasehold improvements	Furniture and equipment	Computers
Balance as of January 1, 2011	\$ 1,546,934	\$ 4,431,376	\$ 830,184	\$ 124,487
Additions	255,645	502,500	202,978	66,743
Depreciation expense	-	(230,818)	(117,591)	(43,433)
Disposals	(731)	(26,372)	(10,118)	(747)
Balance as of December 31, 2011	1,801,848	4,676,686	905,453	147,050
Additions	167,527	893,493	191,450	99,616
Depreciation expense	-	(203,746)	(110,684)	(48,147)
Disposals	-	(13,103)	(8,975)	(3,080)
Disposals related to sale of subsidiary	-	(151,891)	(170,844)	(47,572)
Balance as of December 31, 2012	\$ 1,969,375	\$ 5,201,439	\$ 806,400	\$ 147,867

	Vehicles	Construction in-progress	Net investment
Balance as of January 1, 2011	\$ 100,352	\$ 68,130	\$ 7,101,463
Additions	94,766	80,385	1,203,017
Depreciation expense	(76,395)	-	(468,237)
Disposals	(9,193)	-	(47,161)
Balance as of December 31, 2011	109,530	148,515	7,789,082
Additions	110,230	52,529	1,514,845
Depreciation expense	(82,552)	-	(445,129)
Disposals	(9,278)	(103)	(34,539)
Disposals related to sale of subsidiary	(394)	(2,343)	(373,044)
Balance as of December 31, 2012	\$ 127,536	\$ 198,598	\$ 8,451,215

c. Depreciation expense is presented in the operating expenses line item in the consolidated statements of comprehensive income. As of December 31, 2012 and 2011 and January 1, 2011, there are no accumulated impairment losses in property and equipment.

10. Investment property

The Company, internally calculates the fair value of its investment property using valuation techniques such as the discounted cash flows approach, replacement cost approach and income cap rate approach. The techniques used include assumptions, the majority of which are not directly observable in the market, to estimate the fair value of the Company's investment property such as discount rates, capitalization rates and occupancy rates.

Gains or losses arising from changes in the fair values are included in the consolidated statements of comprehensive income in the period in which they arise.

Rental income from investment property recognized in profit or loss were \$904,851 and \$772,674 for the years ended December 31, 2012 and 2011, respectively.

The direct operating expenses, including maintenance, arising from investment property that generated rental income are \$323,284 and \$268,061 of the years ended December 31, 2012 and 2011, respectively. The direct operating expenses, for property that did not generate rental income are \$15,830 and \$14,491 for the years ended December 31, 2012 and 2011, respectively.

As of December 31, 2012, the Company's investment properties were 97% occupied by tenants.

The Company grants its tenants lease incentives such as rent holiday periods and improvements as required by such tenants. The Company, occasionally, also receives up front consideration as incentive to enter into the lease agreements (referred to as "key money"). Lease payments received from tenants, including incentives given or received, are recognized as rental income on a straight-line basis over the lease term.

The table below sets forth the aggregate values of the Company's investment properties for the years indicated:

	31/12/2012	31/12/2011	01/01/2011
Buildings and land	\$ 9,311,811	\$ 9,441,749	\$ 8,492,176
Land reserves	1,311,994	1,133,107	1,004,304
Less: Cost to complete construction-in-progress	(150,171)	(693,211)	(355,750)
Balance at end of year	\$ 10,473,634	\$ 9,881,645	\$ 9,140,730

The reconciliation of investment property is as follows:

	31/12/2012	31/12/2011
Balance at beginning of year	\$ 9,881,645	\$ 9,140,730
Additions	489,135	818,069
Loss (gain) on revaluation of investment property	102,854	(77,154)
Balance at end of year	\$ 10,473,634	\$ 9,881,645

The loss (gain) on revaluation of the property is driven by changes in: 1) discount rates used to calculate the fair value, 2) occupancy rates, 3) new operating leases entered into by the Company as well as changes in the market-related assumptions used to determine the fair value of the land reserves.

Three of the Company's investment properties are pledged as collateral for the long-term debt as discussed in Note 14. The fair value of such investment properties as of December 31, 2012 is \$1,836,224.

11. Goodwill

Goodwill arose in the acquisition of a telemarketing company ("Casa Daga") in 2000. It represents the excess of the consideration paid over the fair value of the net assets acquired at acquisition date. The goodwill is subject to impairment tests annually taking into consideration the value in use of the telemarketing cash generating unit, which is included in the retail reportable segment. As of December 31, 2012 and 2011 and January 1, 2011 there were no impairment losses.

12. Intangibles and prepaid expenses

	31/12/2012	31/12/2011	01/01/2011
<i>Intangibles:</i>			
Deferred charges	\$ 40,921	\$ 45,270	\$ 37,323
Accumulated amortization	(23,083)	(18,899)	(8,222)
	17,838	26,371	29,101
Customer list	141,870	140,457	125,957
Accumulated amortization	(63,575)	(40,308)	-
	78,295	100,149	125,957
<i>Prepaid expenses</i>			
Technical assistance	15,844	23,168	-
Received rent holidays and key money – Note 21	45,183	32,257	32,758
Other advance payments	28,983	35,587	45,890
	\$ 186,143	\$ 217,532	\$ 233,706

Amortization expense is presented within the operating expenses line item in the consolidated statements of comprehensive income.

13. Accrued expenses and taxes

	31/12/2012	31/12/2011	01/01/2011
Taxes payable – mainly ISR	\$ 359,012	\$ 707,092	\$ 330,715
Derivative financial instruments	3,978	1,642	-
Direct employee benefits	174,514	128,293	125,211
Accrued expenses	139,796	179,741	100,284
Advances from customers	57,245	49,555	50,591
Other accounts payable	428,096	422,667	377,230
	\$ 1,162,641	\$ 1,488,990	\$ 984,031

14. Long-term debt

	31/12/2012	31/12/2011	01/01/2011
Unguaranteed at amortized cost			
Construction bank loan payable in May 31, 2013. The line of credit was granted for \$130,000, and as of December 31, 2012, only 26% of such line of credit has been withdrawn. Interest is paid on a monthly basis and is calculated using the Mexican Inter-bank Equilibrium Interest Rate (TIIE) plus 210 basis points.	\$ 34,211	\$ -	\$ -
Loan agreement to be paid in six monthly amortizations. Interest is paid monthly and calculated using an annual fixed rate of 5.75%.	2,597	-	-
Construction bank loan payable in May 31, 2013. The line of credit was granted for \$250,000, and as of December 31, 2012, only 26% of such line of credit has been withdrawn. Interest is paid on a monthly basis and is calculated using TIIE plus 210 basis points.	65,789	-	-
	102,597	-	-
Guaranteed at amortized cost			
Bank borrowing payable in 108 monthly payments with a 12-month grace period for capital, the first of the monthly payments will be made on July 25, 2011. Interest is payable on a monthly basis and is calculated using TIIE plus 300 basis points.	201,230	217,437	224,250

	31/12/2012	31/12/2011	01/01/2011
Bank borrowing payable in 96 monthly payments with a 24-month grace period for capital, the first of the monthly payments will be made on July 25, 2012. Interest is payable on a monthly and is calculated using TIIE plus 300 basis points.	323,149	336,251	335,559
Loan agreement entered into on October 26, 2012. Principal on the loan will be repaid at the end of seven-year term. Interest is paid monthly at a fixed rate of 6.97%.	398,317	-	-
	922,696	553,688	559,809
Total debt	\$ 1,025,293	\$ 553,688	\$ 559,809
Less: Current portion	\$ 337,085	\$ 29,263	\$ 6,533
Long-term debt	688,208	524,425	553,276
	\$ 1,025,293	\$ 553,688	\$ 559,809

TIIE was 4.8475%, 4.7900% and 4.8600%, as of December 31, 2012 and 2011 and 1 January 2011, respectively.

These loans are guaranteed with three of the Company's investment properties, the fair value of these properties as of December 31, 2012 is \$1,836,224.

In connection with two of these loans, the Company entered into two contracts for an option to limit the amount of TIIE for the calculation of the interest on the borrowings in order to manage the interest rate risk in these borrowings. Under these options TIIE is limited to 8%; both options expire on the 60th monthly payment. As of December 31, 2012 the Company has not exercised any of these options. These derivative financial instruments are measured at their fair value and the changes on their fair value are recognized in profit or loss of the period in which arise.

The restrictive clauses of the bank loan agreements set forth the obligation to keep certain financial ratios; such clauses have been complied as of December 31, 2012 for all the loans except for a loan granted to one of the subsidiaries of the Company. Due to the lack of compliance with such financial ratios, the outstanding balance of this loan as of December 31, 2012 for \$201,230, is presented as part of the current portion of the long-term debt, since the bank has the contractual right to demand repayment of such amount because such subsidiary failed to comply with its obligation to maintain the total liability to equity as of the date of these consolidated financial statements.

15. Employee benefits

a) Defined contribution plans – Under Mexican legislation, the Company must make payments equivalent to 2% of its workers' daily integrated salary to a defined contribution plan that is part of the retirement savings system. The expense in 2012, 2011 was \$33,630 and \$32,310, respectively.

b) Defined benefits plans – The Company has defined benefits pension plans which cover most of its employees who are 65 years old or older. These plans also cover seniority premiums, which is a plan included in the Mexican workers law and consists of a lump-sum payment equivalent to 12 days per each year worked based on the worker's last wage and it is limited to two times the minimum wage set forth by Mexican law. Eligible employees covered by the other pension plans who retire after 65 years of age receive a lump-sum payment determined based on the employees years of service with the Company. The related liability and the annual benefit cost are calculated by an independent actuary using the projected unit credit method. The valuations are performed on an annual basis.

i. The principal assumptions used for the purposes of the actuarial valuations were as follows :

	31/12/2012	Valuation as of 31/12/2011	01/01/2011
	%	%	%
Discount rate	6.0	5.8	8.2
Expected return on plan assets	6.0	7.5	8.0
Expected rates of salary increase	4.7	3.8	5.2

ii. The net cost of the period in respect of these defined benefit plans are as follows:

	31/12/2012	31/12/2011
Current service cost	\$ 35,088	\$ 21,028
Interest on obligation	2,432	2,125
Estimated return on plan assets	(4,236)	(4,050)
Amortization of the transition liability	-	236
Actuarial (gains) losses recognized in the year	(346)	475
Prior service cost	41	747
Curtailment gains	(1,950)	(2,963)
	\$ 31,029	\$ 17,598

- iii. The amount included in the consolidated statements of financial position arising from the Company's obligation in respect of its defined benefit plans is as follows:

	31/12/2012	31/12/2011	01/01/2011
Defined benefit obligation	\$ 191,231	\$ 164,189	\$ 142,256
Fair value of plan assets	(95,740)	(82,294)	(67,156)
	95,491	81,895	75,100
Unrecognized net actuarial losses	720	215	-
Prior service costs and plan amendments	(4,039)	1,729	-
Net defined benefit obligation	\$ 92,172	\$ 83,839	\$ 75,100

- iv. Movements in the present value of the defined benefit obligation were as follows:

	2012	2011
Opening defined benefit obligation	\$ 164,189	\$ 142,256
Current service cost	35,088	21,028
Interest cost	2,432	2,125
Actuarial (gains) losses	(5,260)	53
Prior service cost	41	393
Benefits paid to plan participants	(5,259)	(1,666)
Closing defined benefit obligation	\$ 191,231	\$ 164,189

- v. Movements in the fair value of the plan assets were as follows:

	31/12/2012	31/12/2011
Opening fair value of plan assets	\$ 82,294	\$ 67,156
Interest income on plan assets	4,236	4,050
Benefits paid to plan participants	(5,259)	(1,666)
Contributions from the employer	15,774	12,553
Actuarial losses	(1,305)	201
Closing fair value of plan assets	\$ 95,740	\$ 82,294

- vi. The major categories of plan assets and the expected rate of return on plan assets at the end of the reporting period for each category, were as follows:

	2012	2011	2012	2011
	%	%		
Equity instruments			\$ 85,129	\$ 71,286
Government debt			10,611	11,008
Weighted average expected rate of return	6.0%	7.5%	\$ 95,740	\$ 82,294

The overall expected rate of return is a weighted average of the expected returns on the two categories of plan assets. Management assessment on expected returns is based on historical performance trends and analysts' predictions on the market for assets over the life of the related obligation.

16. Financial instruments

a. Capital management:

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2011.

The capital structure of the Company consists of net debt (long-term debt as detailed in Note 14 offset by cash and cash equivalents and financial instruments) and equity of the Company (comprising issued capital, additional paid-in capital, retained earnings and other comprehensive income as detailed in Note 17).

The Company is not subject to any externally imposed capital requirements.

The Company's Finance Committee reviews the capital structure of the Company on an ongoing basis. As part of this review, the Committee considers the cost of capital and the risks associated with each class of capital.

b. Gearing ratio:

The gearing ratio at the end of the reporting period was as follows:

	31/12/2012	31/12/2011	01/01/2011
Cash and cash equivalents	\$ 968,659	\$ 462,939	\$ 454,868
Financial instruments	3,095,453	3,924,646	3,685,743
Long-term debt	1,025,293	553,688	559,809
Stokholders'equity	21,816,659	20,716,092	19,780,455
Net debt to equity ratio	(14%)	(18%)	(18%)

c. Categories of financial instruments:

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial.

The main financial instruments of the Company as presented in the consolidated financial statements are as follows:

	31/12/2012	31/12/2011	01/01/2011
i. Cash and cash equivalents	\$ 968,659	\$ 462,939	\$ 454,868
ii. Held for trading financial instruments	1,214,431	2,135,291	2,909,138
iii. Available-for-sale financial instruments	1,881,022	1,789,355	785,106
iv. Accounts receivable	1,340,725	1,259,445	1,220,980
v. Trade accounts payable	2,457,432	2,681,299	2,452,271
vi. Long-term debt at amortized cost	1,025,293	553,688	559,809
vii. Derivative financial instruments	3,978	1,642	-

During the year there were no reclassifications of financial instruments between categories.

d. Financial risk management objectives:

The Company's Board of Directors through its Finance Committee supervises and manages the financial risks relating to the Company's exposure as a result of its operations. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks by using different instruments including derivative financial instruments to hedge its exposures. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company does not enter into derivative financial instruments for speculative purposes.

The Corporate Treasury function reports quarterly to the Finance Committee, which is an independent body that monitors risks and policies implemented to mitigate risk exposures.

e. Market risk:

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Company seeks to minimize the potential negative effects of these risks on its financial performance through an overall risk management program. The Company uses derivative and non-derivative financial instruments to hedge

some of its exposures to financial risks as described in Note 14. The Company identifies, assesses and hedges financial risks in collaboration with its subsidiaries.

f. Foreign currency risk management:

The Company enters into transaction in foreign currencies and so it is exposed to foreign currency risk, primarily with respect to financial instruments and trade accounts payables maintained in U.S. dollars.

The carrying amounts of assets and liabilities denominated in foreign currencies at the end of the period are as follows:

	31/12/2012	31/12/2011	01/01/2011
U.S. dollars:			
Monetary assets	\$ 208,078	\$ 193,836	\$ 147,723
Monetary liabilities	36,358	29,666	36,609
Net liability position	171,720	164,170	111,114
Equivalent in thousands of Mexican pesos	\$ 2,230,299	\$ 2,294,883	\$ 1,375,780

The exchange rates at the date of the consolidated financial statements and the date of its issuance were as follows:

	31/12/2012	31/12/2011	1/01/2011
U.S. dollar	\$ 12.9880	\$ 13.9787	\$ 12.3817

g. Foreign currency sensitivity analysis:

The Company is mainly exposed to the U.S. dollar. The following table details the Company's sensitivity to a 5% appreciation or depreciation in the U.S. dollar against the Mexican peso. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel, and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency exchange rates.

	31/12/2012	31/12/2011	1/01/2011
Net U.S. dollar position as of 31/12/2012	\$ 171,720	\$ 164,170	\$ 111,114
Estimated exchanges rates:	13.6374 12.3386	14.6776 13.2798	13.0008 11.7626
Sensitivity + / -	5%	5%	5%
Change in total comprehensive income of the year + / -	\$ 111,515	\$ 114,744	\$ 68,789

h. Interest rate risk management:

The Company obtains financing under different conditions; when such financing is subject to variable interest rates, the Company enters into derivative financial instruments (interest rate CAPS) in order to reduce its exposure to risks of volatility in interest rates. Such CAPS limit the Company's exposure to changes in variable interest rates. The Company only enters into derivative instruments with institutions of known solvency.

The Company estimates that according to the contractual conditions of its long-term debt (see Note 14) a change of 0.50% in the variable interest rate would represent an increase/decrease of \$13,194 in the interest expense for the year.

i. Credit risk management:

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Due to the nature of the Company's operations, its exposure to credit risk is low, since its trade accounts receivable mainly relate to credit sales to wholesalers that operate in the retail industry, the average turnover of the Company's trade accounts receivable during the year was under 13 days.

The maximum credit exposure is represented by the balance of trade accounts receivable as presented in the consolidated statement of financial position. As of December 31, 2012, the allowance for doubtful accounts receivable includes accounts that have been identified as potentially not recoverable.

No one single client outstanding balance represented an amount higher than 10% of the total trade accounts receivable balance as of December 31, 2012.

j. Other price risks:

The Company is exposed to equity price risk arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

Equity price sensitivity analysis

The Sensitivity analysis has been determined based on the exposure to equity price risk at the end of reporting period.

If equity prices had been 5% higher/lower:

- profit for the year ended December 31, 2012 would have been unaffected as the equity investments are classified as available-for-sale and no investments were not disposed of or impaired; and
- other comprehensive income for the year ended December 31, 2012 would increase/decrease by \$98,754 as a result of the changes in fair value of available-for-sale shares.

The Company's sensitivity to equity prices has not changed significantly from the prior year.

k. Liquidity risk management:

Ultimate responsibility for liquidity risk management rests with the Board of Directors. Management closely monitors the maturity of the Company's liabilities, and the cash needs of its operations, it prepares a detailed cash flow analysis on a quarterly basis and it is presented to the Board of Directors. Decisions are made to obtain new financing, or limit cash investments in order to maintain a healthy projected cash balance for the period outflows.

The following tables detail the Company's remaining contractual maturity for its derivative and non-derivative financial liabilities is as follows:

	Less than 1 year	More than 1 year and less than 3 years	More than 3 years
Trade accounts payable	\$ 2,457,432	\$ -	\$ -
Payable taxes	359,012	-	-
Direct employee benefits	174,514	-	-
Customers prepaid	57,245	-	-
Trade accounts	428,096	-	-
Long-term debt	463,243	165,053	773,742

l. Fair value of financial instruments carried at amortized cost:

The fair value of the long-term debt and their current portion as of December 31, 2012 is \$1,016,378. Management believes that the carrying amount of other financial instruments recognized at amortized cost approximates their fair values.

m. Fair value measurements recognized in the consolidated statement of financial position:

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels ranging from 1 to 3 based on the degree to which the fair value is observed:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Carrying amount	Level 1	Level 2	Level 3
Cash	13,001	-	-
Cash equivalents	914,065	-	-
Restricted cash	41,593	-	-
Non-current restricted cash	10,911	-	-
Available- for- sale financial assets	1,881,022	-	-
Hold- for- trading financial assets	1,214,431	-	-
Derivative financial instruments	-	(3,978)	-

There were not transfers between levels 1 and 2 during the year.

17. Stockholders' equity

- a. Common stock as of December 31, 2012 and 2011 and as of January 1, 2011 consists of the following:

	Number of shares	Historical value
Fixed capital	176,734,102	\$ 18,922
Variable capital	817,493,239	\$ 87,525
	994,227,341	\$ 106,447

Common stock is comprised of common nominative shares. Fixed capital stock may not be withdrawn. Variable capital shares may be freely subscribed. Variable capital may not be greater than ten times fixed capital.

- b. At December 31, 2012 and 2011 and January 1, 2011, the Company maintains in its treasury 1,928,392 shares. The market value of such shares was, \$24.50, \$24.15 and \$24.00, Mexican pesos per share as of December 31, 2012 and 2011 and January 1, 2011, respectively.
- c. During a Stockholders' Meeting held on April 23, 2012, the stockholders agreed to pay cash dividends to Company stockholders at \$ 0.08 (eight cents) per paid-in outstanding share as of the dividend payment date. The payment was applied against the Company's net tax income account and was made through S.D. Indeval, S.A. de C.V. The dividend amount paid in 2012 was \$85,206.
- d. During a Stockholders' Meeting held on April 29, 2011, the stockholders agreed to pay cash dividends to Company stockholders at \$ 0.21 (twenty one cents) per paid-in outstanding share as of the dividend payment date. The payment was applied against the Company's net tax income account and was made through S.D. Indeval, S.A. de C.V. The dividend amount paid in 2011 was \$208,785.

- e. Retained earnings include a statutory legal reserve. Mexican General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value (historical Mexican pesos). The legal reserve may not be distributed, except in the form of a stock dividend, unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2012 and 2011 and as of January 1, 2011, the legal reserve, in historical Mexican pesos, was \$21,290.
- f. Stockholders' equity, except restated additional paid-in capital and tax retained earnings will be subject to ISR payable by the Company at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated ISR of the year in which the tax on the dividend is paid and the following two fiscal years.

18. Foreign currency transactions

- a. Approximately 21% and 18% of inventory purchases were imported by the Company in 2012 and 2011, respectively.
- b. Transactions denominated in thousands of U.S. dollars for the years ended December 31, 2012 and 2011 include import purchases of \$193,824, \$166,454, respectively.

19. Transactions and balances with related parties

- a. Transactions with related parties during the years ended December 31, 2012 and 2011, carried out in the ordinary course of business, were as follows:

	31/12/2012	31/12/2011
Purchases of fixed assets – other related parties	\$ 7,868	\$ 11,957
Rental expense paid – shareholders	41,498	51,623
Purchase of inventory – non-controlling interest	423,428	266,657
Consulting services – other related parties	1,161	3,088
Charitable contributions – other related parties	7,808	2,104

- b. The related party payable balance as of December 31, 2012 is \$18,304 and it is included in Other accounts payable. See Note 13.
- c. Employee benefits granted to key management were as follows:

	31/12/2012	31/12/2011
Short-term benefits	\$ 137,398	\$ 141,033
Termination benefits	2,200	-

20. Cost of sales and operating expenses

i. Cost of sales is as follow:

	31/12/2012	31/12/2011
Cost of merchandise sold	\$ 11,254,888	\$ 10,527,582
Employee benefits	226,862	216,323
Electricity, water and gas	141,101	121,648
Depreciation	108,819	89,480
Total cost of sales	\$ 11,731,670	\$ 10,955,033

ii. Operating expenses are as follows:

	31/12/2012	31/12/2011
Employee benefits	\$ 2,156,995	\$ 1,873,103
Rent expense	470,879	427,120
Insurance	578,580	436,802
Electricity, water and gas	333,383	288,293
Maintenance	292,667	242,692
Marketing	282,686	244,071
Depreciation and amortization	368,057	367,165
Other operating expenses	623,073	688,618
Total operating expenses	\$ 5,106,320	\$ 4,567,864

21. Operating leases

a. **The Company as lessor** – Operating leases relate to the investment property owned by the Company with lease terms ranging from 5 to 25 years. Most operating lease contracts contain a minimum rental payment and contingent rents, which are based on a percentage of sales of the tenant and they are all subject to annual inflation increases. As described below, certain contracts include renewal options for the Company's.

Such operating leases grant the Company's tenants lease incentives such as rent holiday periods and improvements as required by such tenants. The Company, occasionally, also receives up front consideration as incentive to enter into the lease agreements (referred to as "key money"). Lease payments received from tenants, including incentives given or received, are recognized as rental income on a straight-line basis over the lease term.

The future minimum lease receivables related to non-cancelable operating leases are as follows:

	31/12/2012	31/12/2011	01/01/2011
Not later than 1 year	\$ 740,088	\$ 666,469	\$ 692,782
Later than 1 year and not later than 5 years	3,267,770	3,171,064	3,176,900
Later than 5 years	3,831,769	3,651,200	4,177,954
Total	\$ 7,839,627	\$ 7,488,733	\$ 8,047,636

- b. The Company as lessee** – Operating leases relate to leases of land and buildings in which the Company has some of its stores, the lease terms range from 1 to 25 years. All operating lease agreements, greater than 1 year, include inflation escalation clauses. Key money paid as well as rent holiday periods received are recognized as rent expense on a straight-line basis over the lease terms unless another systematic basis is more representative of Company's benefit.

The future minimum payments related to non-cancelable operating leases are as follows:

	31/12/2012	31/12/2011	01/01/2011
Not later than 1 year	\$ 429,733	\$ 388,288	\$ 355,683
Later than 1 year and not later than 5 years	1,847,512	1,679,244	1,535,716
Later than 5 years	2,517,395	2,222,654	2,184,761
Total	\$ 4,794,640	\$ 4,290,186	\$ 4,076,160

22. Income taxes

The Company is subject to ISR and IETU.

The ISR rate in 2012 and 2011 is 30%, and it will remain through 2013; it will be 29% for 2014 and 28% for 2015. The Company pays ISR, together with most of its subsidiaries on a consolidated basis, beginning in fiscal year 1997.

On December 7, 2009, amendments to the ISR Law were published, to become effective beginning in 2010. These amendments state that: a) ISR relating to tax consolidation benefits obtained from 1999 through 2004 should be paid in installments beginning in 2010 through 2014, and b) ISR relating to tax benefits obtained in the 2005 tax consolidation and thereafter, should be paid during the sixth through the tenth year after that in which the benefit was obtained. Payment of ISR in connection with tax consolidation benefits obtained from 1982 (tax consolidation starting year) through 1998 may be required in those cases provided by law.

IETU - Revenues, as well as deductions and certain tax credits, are determined based on cash flows of each fiscal year. Beginning in 2010, the IETU rate is 17.5%, and it was 17% in 2009. The Asset Tax (IMPAC) Law was repealed upon enactment of the IETU Law; however, under certain circumstances, IMPAC paid in the ten years prior to the year in which ISR is paid for the first time, may be recovered, according to the terms of the law. In addition, as opposed to ISR, the parent and its subsidiaries will incur IETU on an individual basis.

Income taxes incurred will be the higher of ISR and IETU.

To determine deferred income taxes, the Company applied the applicable tax rates to temporary differences based on their estimated reversal dates. The benefits from tax loss carryforwards for which a deferred tax asset has already been recognized can be recovered subject to certain requirements and mature in 2019. Based on its financial projections the Company expects to pay ISR, however, certain subsidiaries cause IETU. Therefore, the Company recognizes ISR and IETU deferred.

Income taxes in other countries, for Office Depot de Mexico, S.A. de C.V., its foreign subsidiaries calculate their individual income taxes, according to the regulations of each country.

a. Income taxes recognize in profit for the year are as follow:

	31/12/2012	31/12/2011
ISR Expense (benefit):		
Current	\$ 697,055	\$ 493,097
Deferred	(177,598)	(62,144)
	519,457	430,953
IETU Expense (benefit):		
Current	\$ 35,891	\$ 2,411
Deferred	10,617	27,800
	46,508	30,211
	\$ 565,965	\$ 461,164

b. The effective ISR rate for fiscal 2012 and 2011 differ from the statutory rate as follow:

	31/12/2012	31/12/2011
	%	%
Statutory rate	30	30
Other permanent items	1	-
Effects of inflation	(5)	(7)
Current and deferred IETU	2	2
Effect of future tax loss carryforwards partially recognized	(1)	-
Effective rate	27%	25%

c. Income taxes recognize in other comprehensive income are as follows:

	31/12/2012	31/12/2011
Deferred ISR benefit:	40,382	204,958

d. The main items originating deferred taxes are:

	31/12/2012	31/12/2011	01/01/2011
Deferred ISR assets (liabilities):			
Property and equipment and investment property	\$ (1,492,382)	\$ (1,491,978)	\$ (1,606,835)
Inventories	(18,000)	(62,504)	(96,104)
Accrued expenses and accounts payable	92,106	153,675	72,132
Other	79,394	55,737	86,078
Available-for-sale financial instruments	(407,895)	(367,512)	(162,554)
	(1,746,777)	(1,712,582)	(1,707,283)
Effect of tax loss carryforwards	64,179	27,816	156,326
Deferred ISR liability	(1,682,598)	(1,684,766)	(1,550,957)
Deferred IETU – mainly accounts receivable	(51,020)	(40,404)	-
Total deferred tax liability	\$ (1,733,618)	\$ (1,725,170)	\$ (1,550,957)

In the determination of the deferred ISR as of December 31, 2012 and 2011 and January 1, 2011, the effects of tax losses carryforwards for \$64,179, \$27,816 and \$156,326, respectively, have been included and \$92,198, \$75,586 and \$11,771, respectively, were excluded since the management believes that it is not likely that the benefits related to such tax losses carryforwards will be realized.

23. Discontinued operations

As part of the Company's strategic restructure process, the Company entered into an agreement with "Tiendas Neto", whereby the Company would sell its "Tiendas Super Precio" business, which would include the transfer of all of the Company's personnel working in this operation and all of the operations' assets (which included inventories, lease agreements, furniture and equipment, trademarks, etc.). This operation would be effected through the sale of all of the Company's shares it held until then of its subsidiary Tiendas Super Precio, S.A. de C.V. as well as other assets. This sale was effective in the last quarter of 2012. According to IFRS this disposal constitutes a discontinued operation since it represented a significant line of business; therefore, the Company has presented the income, costs and expenses related to such discontinued operation within the line item "discontinued operations" in the consolidated statements of comprehensive income.

The breakdown of the main items included in the discontinued operations loss is:

	31/12/2012	31/12/2011
Revenues	\$ 1,785,105	\$ 2,813,591
Cost of sales and operating expenses	2,309,559	3,379,879
Interest expense – Net	5,904	1,115
Income tax effect	(143,150)	-
Loss from discontinued operations (attributable to owners of the parent)	\$ 387,208	\$ 567,403

24. Earnings per share

The amounts used to determine earnings from continuing operations, discontinued operations and diluted earnings per share were as follows:

	2012	2011
	Mexican pesos per share	Mexican pesos per share
Basic and diluted earnings per share:		
From continued operations	1.08	1.02
From discontinued operations	(0.39)	(0.57)
Total earnings per share	0.69	0.45

a. Basic and diluted earnings per share

During the years ending on December 31, 2012 and 2011, the Company does not have any commitments to issue or exchange its own share; therefore there are no potentially dilutive instruments hence basic and diluted earnings per share are the same. The earnings amounts and the weighted average number of shares used for the calculation of the basic and diluted earnings per share are the following:

	2012	2011
Profit for the year attributable to owners of the Company	\$ 690,604	\$ 447,097
Earnings used in the calculation of the basic and diluted earnings per share	690,604	447,097
Loss for the year from discontinued operations used in the calculation of basic and diluted earnings per share	(387,208)	(567,403)
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	\$ 1,077,812	\$ 1,014,500
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	994,227,341	994,227,341

b. Weighted average number of ordinary shares

During years ended on December 31, 2012 and 2011 there were no movements in the number of outstanding shares, therefore, the weighted average of ordinary shares is equal to the number of outstanding shares at the end of each one of these periods.

c. Determination of basic and diluted earnings per share

	2012		
	Income	Weighted average number of shares	Mexican pesos per share
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	\$ 1,077,812	994,227,341	\$ 1.08
Loss for the year from discontinued operations used in the calculation of basic and diluted earnings per share	(387,208)	994,227,341	(0.39)
Basic and diluted earnings per share	690,604	994,227,341	0.69

	2011		
	Income	Weighted average number of shares	Mexican pesos per share
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	\$ 1,014,500	994,227,341	\$ 1.02
Loss for the year from discontinued operations used in the calculation of basic and diluted earnings per share	(567,403)	994,227,341	(0.57)
Basic and diluted earnings per share	447,097	994,227,341	0.45

25. Commitments

The Company has entered into operating leases for land and buildings ranging from 1 to 25 years in which some of its stores and restaurants are located. Rental payments are calculated as a percentage of sales ranging from 1% to 6%, subject to minimum amounts which are adjusted annually for increases in inflation.

Also, certain operating lease agreements entered into by the Company as lessor gives tenants renewal options to extend the lease terms for up to 10 years.

The Company has no commitments for the acquisition of property and equipment or investment property.

26. Reportable segments

The information provided to the Chief Operating Decision Maker of the Company ("CODM") for purposes of allocating resources and assessing segment performance focuses on types of goods and services sold or rendered to customers, the type of customers of each of the operating segments of the Company and also in the way in which the Company delivers such goods or provides the related services to its customers. The Company, using this approach, has identified the following reportable segments:

- i. **Retail** – Specialized shops which sell:
 - a. Office supplies and furniture as well as office electronics
 - b. Houseware
- ii. **Restaurants** – family restaurant chain, which stands out for its innovative dishes, excellent service in a young and casual environment.
- iii. **Real Estate** – Development of investment property, retail stores, shopping malls and corporate office buildings, which are leased to tenants as well as development of housing to be sold to customers.
- iv. **Corporate** – Group management and corporate administration

Reportable segments information is as follows:

a. Segment revenues and results

The following is an analysis of the Company's revenues and results from continuing operations by reportable segment.

	Revenues by segment		Profit by segment	
	2012	2011	2012	2011
Retail	\$ 15,414,246	\$ 14,284,879	\$ 1,216,815	\$ 1,112,370
Restaurants	2,400,050	2,106,238	310,403	240,119
Real Estate	1,007,533	889,562	727,567	469,420
Corporate	2,121	2,998	(163,330)	(138,771)
Other	36,897	31,503	34,256	31,992
Total continuing operations	\$ 18,860,847	\$ 17,315,180	2,125,711	1,715,130
Interest expense			64,818	59,505
Interest income			(84,035)	(80,224)
Exchange loss (gain) – Net			106,735	(116,074)
(Gain) loss on revaluation of financial instruments – Net			(17,240)	14,514
Profit for the year from continuing operations before income taxes			\$ 2,055,433	\$ 1,837,409

Segment revenues reported above represent revenues generated from external customers. Inter-segment revenues are as follows:

	Inter-segment revenues	
	2012	2011
Retail	\$ 17,360	\$ 16,122
Restaurants	7,122	211
Real Estate	260,590	255,008
Corporate	302,957	283,823

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 3. Segment profit represents the profit before tax earned by each reportable segment without allocation of corporate administration costs and the equity share in the profits or losses of associates.

b. Segment assets and long-term debts

Total segment assets			
	31/12/2012	31/12/2011	01/01/2011
Retail	\$ 9,571,608	\$ 8,699,839	\$ 8,179,791
Restaurants	1,972,116	1,786,220	1,603,998
Real Estate	12,286,315	10,885,878	10,324,209
Corporate	3,680,040	4,370,369	3,939,051
Others	957,733	1,632,681	1,460,107
Total assets	\$ 28,467,812	\$ 27,374,987	\$ 25,507,156

(i) Intercompany balances are not included

Long-term debt			
	31/12/2012	31/12/2011	01/01/2011
Retail	\$ 2,597	\$ -	\$ -
Real Estate	1,022,696	533,688	559,809
Total long-term debt	\$ 1,025,293	\$ 533,688	\$ 559,809

c. Other segment information

	Depreciation and amortization		Additions to long-term assets (i)	
	2012	2011	2012	2011
Retail	\$ 344,751	\$ 334,288	\$ 512,643	\$ 641,634
Restaurants	91,496	81,646	304,533	448,300
Real Estate	6,591	18,455	851,418	826,894
Others	34,038	22,256	335,386	14,602
Total continuing operations	476,876	456,645	2,003,980	1,931,430
Discontinued operations	-	50,225	-	89,756
	\$ 476,876	\$ 506,870	\$ 2,003,980	\$ 2,021,186

(i) Includes investment property additions

d. Information about geographical areas

The Company sells its products to the general public in Mexico and several other countries in Central America and Colombia. Sales in Central America and Colombia accounted for approximately 13% of total revenues of the Company for both of the two years ended December 31, 2012 and 2011. The total non-current assets located in foreign countries are approximately 8% of the total assets of the Company as of December 31, 2012.

27. Transition to IFRS

The most recently issued annual consolidated financial statements of the Company (which were for the year 2011) were prepared in accordance with Mexican Financial Reporting Standards ("MFRS", individually referred to as Normas de Información Financiera or "NIFs") and as such these are the Company's initial consolidated financial statements prepared in accordance with IFRS. The Company's date of transition is January 1, 2011.

MFRS differ in certain respects with IFRS. As the accompanying consolidated financial statements are the Company's first financial statements under IFRS, they include the application of IFRS 1 and the related transition requirements. IFRS 1 generally requires retrospective application of all IFRS and related improvements and interpretations. However, IFRS 1 permits certain optional exemptions from the retrospective application of certain standards in order to assist entities in the transition process. IFRS 1 also contains certain mandatory exceptions to retrospective application of its standards.

At the date of transition, the Company has applied the following mandatory exceptions to retrospective application of IFRS as required by IFRS 1:

- a. Accounting estimates** – Accounting estimates made under MFRS as of January 1, 2011 and as of December 31, 2011 are consistent with estimates under IFRS made for the same periods and are thus, not retrospectively modified.
- b. Derecognition and transfers of financial assets and financial liabilities** – Financial assets and liabilities that were transferred or derecognized prior to January 1, 2004 were not recognized, unless:
 - i. The Company decides to recognize them; and
 - ii. The information necessary to apply the write-off criteria for financial assets and liabilities according to IAS 39, Financial Instruments: Recognition and Measurement, have been fulfilled at the time of initial recording of the transactions.
- c. Non-Controlling Interests** –The Company applied prospectively certain requirements of IAS 27 (2008), Investment in Associates, as of the date of transition.

The Company has also elected to apply the following voluntary exemptions to retrospective application of IFRS:

- a. Exemptions regarding business combinations** – The Company chose to apply IFRS 3 (2008) as of its transition date to IFRS; therefore, business combinations effected prior to such date were not accounted for under IFRS 3 (2008).
- b. Property and equipment deemed cost**– The Company applied the deemed cost exemption and it used the revaluation amount under the NIFs as of the date of transition as its deemed cost, for certain items of property and equipment. For investment property the deemed cost was their fair value determined as of the date of transition.
- c. Employee Benefits** –The Company elected to recognize all cumulative actuarial gains and losses at of the date of transition to IFRSs. The Company applied this exemption to all of its plans.
- d. Cumulative foreign currency translation** – The Company applied this exemption; therefore, it adjusted to zero the accumulated translation effect as of its date of transition.

- e. Borrowing costs** – The Company applied the borrowing costs exemption; therefore borrowing costs capitalized prior to the date of transition were not modified.

The following tables show the reconciliation of total stockholder's equity from MFRS to IFRS as of the date of transition and as of December 31, 2011, as well as the reconciliation of comprehensive income for the year ended on December 31, 2011:

i. Stockholders' equity reconciliation

		As of 31/12/2011	As of 01/01/2011
	Note	(end of the latest period presented under MFRS)	(date of transition)
Total stockholders' equity under MFRS		\$ 18,238,482	\$ 18,092,615
Consolidation of subsidiaries under IFRS 10	(a)	2,892,664	2,753,961
Investment property	(b)	(1,544,738)	(1,581,410)
Effects of inflation	(c)	(241,310)	(241,310)
Fair value of available-for-sale financial instruments	(d)	1,410,768	573,927
Employee benefits	(e)	(27,433)	(27,082)
Recognition of lease incentives under IFRS	(f)	(31,812)	(29,817)
Total adjustments		2,458,139	1,448,269
Deferred taxes	(h)	19,471	239,571
Total stockholders' equity under IFRS		\$ 20,716,092	\$ 19,780,455

ii. Comprehensive income reconciliation

		31/12/2011
Consolidated net income under MFRS		\$ 354,654
Consolidation of subsidiaries under IFRS 10	(a)	363,251
Investment property	(b)	(77,154)
Effects of depreciation on fair valuing investment property	(g)	113,374
Employee benefits	(e)	2,782
Recognition of lease incentives under IFRS	(f)	(238)
Deferred taxes	(h)	(19,576)
Total adjustments to profit for the year		382,439
Adjustments to other comprehensive income:		
Consolidation of subsidiaries under IFRS 10	(a)	75,451
Changes in fair value of available-for-sale financial instruments	(d)	631,878
Comprehensive income for the year under IFRS		\$ 1,444,422

iii. Notes to the effects of IFRS adoption

- (a) According with the adoption of IFRS 10, *Consolidated Financial Statements*, the Company determined that it exercises control on entities that were not previously consolidated under MFRS.
- (b) According to IAS 40, *Investment Property*, the Company elected to option to measure its investment property at the fair value.
- (c) According to IAS 29, *Financial Reporting in Hyperinflationary Economies*, the Company eliminated the inflation effects from the consolidated statements of financial position for the years of 1999 to 2007.
- (d) According to IAS 39, *Financial Instruments: Recognition and Measurement*, the Company recognized the fair value of its equity investments of other entities which are classified as available-for-sale.
- (e) According to IFRS 1, *First Time Adoption*, the Company applied the employee benefits exemption; the fore, it recognized all cumulative actuarial gains and losses at of the date of transition to IFRSs. The Company applied this exemption to all of its plans.
- (f) According to IAS 17, *Leases*, the Company recognized rental income and rent expense related to incentives given or received in operating leases on a straight-line basis over the lease terms.
- (g) According to IAS 16, *Property, Plant and Equipment*, the Company calculated and recognized depreciation expense separating significant components of its items of property and equipment.
- (h) According to IAS 12, *Income Taxes*, the Company recalculated its deferred taxes using the carrying amounts for its assets and liabilities under IFRS.

28. Financial statements issuance authorization

On February 19, 2013, the issuance of the consolidated financial statements was authorized by the Board of Directors. These consolidated financial statements are subject to the approval at the General Ordinary Stockholders' Meeting, which may decide to modify such consolidated financial statements according to the Mexican General Corporate Law.

Investor Information

Corporate Headquarters

Grupo Gigante, S.A.B. de C.V.
Av. Ejército Nacional No. 350,
Col. Chapultepec Morales.
C.P. 11570,
Delegación Miguel Hidalgo,
México D.F.
Tel.: (52) 55 5269 8000
Fax: (52) 55 5269 8169



ADR Nivel 1 GYGJY
ADR Regla 144-A GPGTY

www.grupogigante.com.mx

Depository Bank
Bank of Nueva York
620 Avenue of the Americas
Nueva York, N.Y. 10011,
USA

Chief Corporate Officer

Sergio Montero Querejeta
Tel. (52) 55 5269 - 8121
smontero@gigante.com.mx

Corporate Finance VP

Arturo Cabrera Valladares
Tel. (52) 55 5269 - 8082
acabrera@gigante.com.mx

CEO, Fundación Gigante

Juan Manuel Rosas Pérez
Tel. (52) 55 5269-8227
jmrosas@gigante.com.mx

Investor Relations

Jorge Hernández Talamantes
Tel. (52) 55 5269-8186
jhernan4@gigante.com.mx



MIX
Paper from
responsible sources
FSC® C018101



EMPRESA
SOCIALMENTE
RESPONSABLE

This annual report contains information regarding Grupo Gigante, S.A.B. de C.V. and its subsidiaries, based on the assumptions of its management. This information, as well as statements made about future events and expectations, is subject to risks and uncertainty, as well as to factors that may cause that the results, performance or progress of the Group might differ at any time. These factors include changes in general economic, political, government and commercial conditions on the national and global level, as well as change in interest rates, inflation, exchange-rate volatility, product prices, energy situation and others. Because of these risks and factors, the real results may vary substantially.

